



Beijing Development (Hong Kong) Limited

Stock Code : 154



Interim
Report
2008

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CORPORATE INFORMATION

Directors

Executive directors:

Mr. E Meng (*Chairman*)

Mr. Zhang Honghai

Mr. Li Kangying

Mr. Wang Yong

Mr. Cao Wei

Mr. Ng Kong Fat, Brian

Independent non-executive directors:

Dr. Jin Lizuo

Dr. Huan Guocang

Dr. Wang Jianping

Company Secretary

Mr. Wong Kwok Wai, Robin

Qualified Accountant

Mr. Wong Kwok Wai, Robin

Authorised Representatives

Mr. Ng Kong Fat, Brian

Mr. Wong Kwok Wai, Robin

Registered Office

Room 3401, West Tower

Shun Tak Centre

200 Connaught Road Central

Hong Kong

Website

<http://www.bdhk.com.hk>

Stock Code

154

Share Registrars

Tricor Tengis Limited

Level 25

Three Pacific Place

1 Queen's Road East

Hong Kong

Auditors

Ernst & Young

Principal Bankers

In Hong Kong:

Bank of China (Hong Kong) Limited

In Mainland China:

Bank of Beijing

Bank of Communications

China CITIC Bank

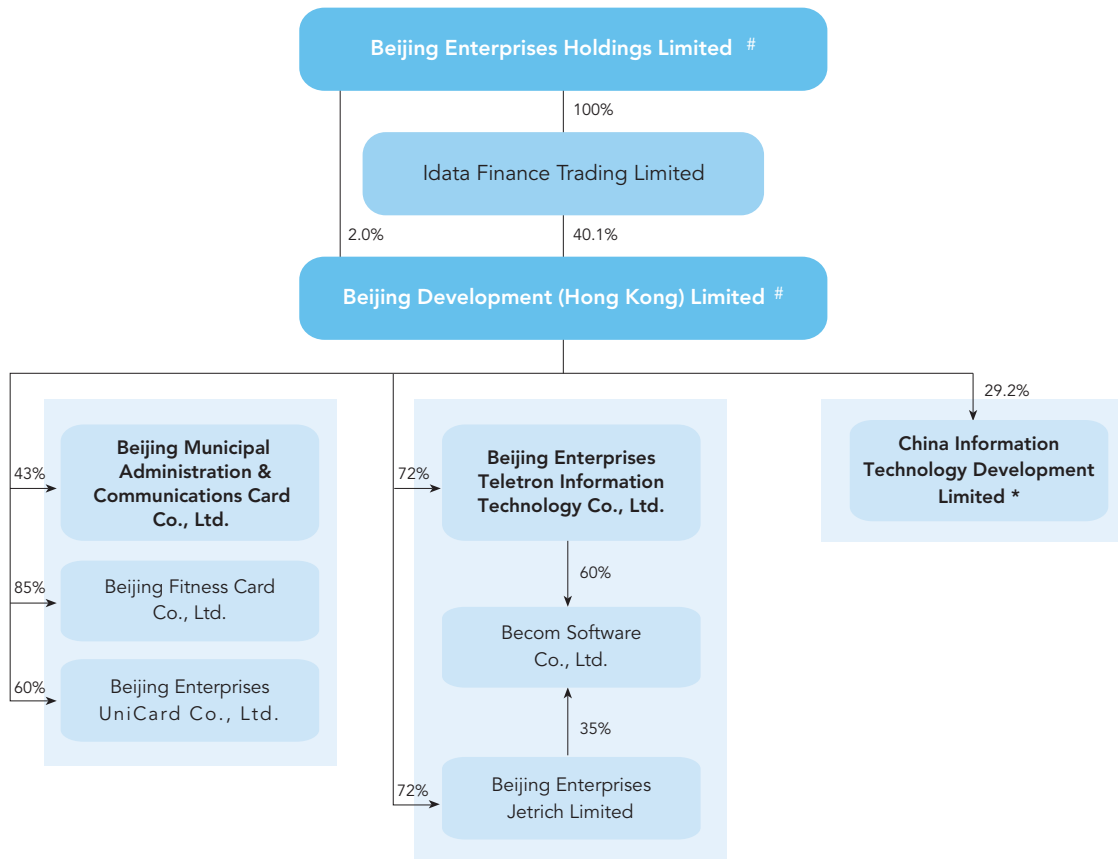
China Construction Bank

China Minsheng Banking Corp., Ltd.

Huaxia Bank

CORPORATE STRUCTURE

As at 16 September 2008



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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

1. *Beijing Municipal Administration & Communications Card Co., Ltd.*

Since the commencement of its full operation, the Smart Card system has been well-received and widely acclaimed by cardholders. More than 23 million cards (including 1.4 million Student Cards and 1.4 million Park Cards) have been issued in total and approximately 14 million transactions are processed daily. Our Smart Cards have become the first choice for Beijing residents to pay for public transportation, and our Smart Card system is the largest urban communications smart card system around the globe. However, since the company has not yet finalised the business agreement with bus and subway operators, the revenue remains undetermined.

Beijing Municipal Administration & Communications Card Co., Ltd. and Tianjin Metropolitan Card Co., Ltd. have jointly launched the "Jing-Jin Smart Card" ("京津一卡通"), a special commemorative card combining into a dual E-wallet. With just one card, residents can enable value adding, make purchases and enjoy offers in public transport in these two cities, making inter-connection and inter-communication possible.

Smart Cards have been launched in 10 commercial sectors, 70 business entities and more than 1,210 chain stores which include supermarkets, convenience stores, restaurants, pastry shops, bookstores, drugstores, hospitals, cinemas, etc.

The Company has formed a partnership with the Beijing Municipal Bureau of Sport to set up Beijing Fitness Card Co., Ltd. for the issue, management and operation of Fitness Cards for all Beijing residents. Smart Card holders are now able to process transactions with their cards in more than 40 sports venues and gymnasiums throughout the city. The Beijing Fitness Website (www.bfcc.cn) has been launched on a trial basis as well. On the website, residents can search for information on various venues in Beijing, read fitness tips, view sports equipment, learn about fitness scientific methods, etc.

2. *Beijing Enterprises Teletron Information Technology Co., Ltd.*

During the period of business review, Beijing Enterprises Teletron Information Technology Co., Ltd. ensured a secure and steady operation of various projects. These projects included the Automated Fare Collection ("AFC") System for Lines 1 and 2 and the Batong Line; the Automated Fare Collection and Clearing Center ("ACC"); the screen door project for Lines 4, 5 and 10; completion of a structural test on the screen door project for Line 4; and the Building Automation System ("BAS") for Lines 1 and 5 assisting the host with the implementation of the Safe Olympics Plan. The intelligent system projects of the National Indoor Stadium have been completed and operated during the Olympic Games.

3. *China Information Technology Development Limited ("CIT Development")*

China Information Technology Development Limited (stock code: 8178) is one of our major investment enterprises. During the period, the company generated its revenue principally from the provision of corporate information enquiry services to the public by way of the Internet, mobile phone and telecommunication value added services. The corporate information enquiry service mainly available on the Mingsuo.com (www.mingsuo.com); it will open up "Mingsuo Certification" service and expand the coverage of the services to include regions such as Beijing, Tianjin, Hebei Province, Shaanxi Province and Harbin.

Prospects

Although the overall economic landscape and business environment are extremely severe in 2008, the Company will continue to focus on its principal business, carry out market expansion and enhance the profit base.

It is our urgent and top priority to finalise business agreements between Beijing Municipal Administration & Communications Card Co., Ltd. and the bus and subway operators. We will continue to enhance communications and coordination with relevant government departments, trying our best to safeguard the interests of our shareholders. In addition, the Company and CIT Development have formed a joint venture – Beijing Enterprises UniCard Co., Ltd. This new company will help integrate our experiences and resources in the telecommunications and financial sectors, with the creativity of value-added business operations for converting into a new profit growth engine of the Smart Card.

Seeing the increasing financial resources committed by the Beijing Municipal Government to the rail transportation and education sectors, the Company will fully capitalise on its competitive edges in these sectors to seize the development opportunity in the information-based construction projects in Beijing and control costs to facilitate sustainable business development.

Despite the persistent stagnate and volatility in both the Chinese domestic and overseas capital markets in 2008, this has offered abundant investment opportunities to the Company. The Company will fully capitalise on our financial and technological strengths and aggressively pursue investment opportunities in the market for enhancing our value, with heightened insightfulness and proactive risk management.

Financial Review

The Group's revenue for the six months ended 30 June 2008 was HK\$159,061,000, representing an increase of 63.8% as compared to HK\$97,084,000 in the corresponding period last year; loss attributable to the shareholders of the Company during the period was HK\$47,939,000, representing a loss of 7.0 HK cents per share while the profit was HK\$131,394,000 and earnings per share was 20.9 HK cents in the corresponding period last year.

After offsetting the loss of HK\$2,778,000 (gains for the corresponding period last year was HK\$188,615,000) from the deemed disposal and the disposal of a partial interest in CIT Development as well as the profit of HK\$9,556,000 from discontinued business operations for the corresponding period last year, loss attributable to the shareholders of the Company during the period was HK\$45,161,000, representing a decrease of 32.4% as compared to HK\$66,777,000 in the corresponding period last year.

During the period, administrative expenses were HK\$56,021,000, representing an increase of 12.1% as compared to HK\$49,983,000 in the corresponding period last year. Of these expenses, the amortisation of employees' share options expenses were HK\$32,784,000 (corresponding period last year: nil).

The board of directors does not recommend the payment of an interim dividend for 2008.

Financial Position

The Group's total assets decreased from HK\$1,539 million at the beginning of the period to HK\$1,464 million as at the balance sheet date, of which current assets accounted for HK\$878 million. Its total liabilities decreased from HK\$318 million at the beginning of the period to HK\$285 million as at the balance sheet date. Net asset value decreased from HK\$1,221 million at the beginning of the period to HK\$1,178 million as at the balance sheet date, of which interests of the shareholders of the Company accounted for HK\$1,132 million while minority interests accounted for HK\$46 million.

As at the balance sheet date, cash and cash equivalents held by the Group amounted to HK\$601 million, a decrease of HK\$118 million from the beginning of the period, of which special dividends amounting to HK\$55 million were paid for 2007. The Group did not have any bank borrowings. Current ratio remained at 308%, while the total debt to total equity ratio decreased from 26.0% at the beginning of the period to 24.2%, suggesting that the Company maintained a sound financial position. The Group's current assets and liabilities are principally denominated in Renminbi. Given the steady appreciation of Renminbi against Hong Kong dollars, the Group will have corresponding increase in reserve from currency exchange gain during the consolidation of the net assets of subsidiaries into the Group in future.

The Group's capital expenditures amounted to HK\$598,000 for the six months ended 30 June 2008. As at the balance sheet date, the Group's authorised, but not contracted for capital commitments amounted to HK\$227 million. The Group did not have any significant contingent liabilities.

Employees

The total number of full-time employees hired by the Group increased from 340 at the beginning of the period to 350 as at 30 June 2008. The management believes the salaries offered by the Group to its employees are competitive.

Appreciation

On behalf of the Board, I would like to express my gratitude to all employees and all shareholders of the Group as well as associated parties from different sectors for their support.

By Order of the Board

E Meng

Chairman

Hong Kong

16 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	Six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
CONTINUING OPERATIONS:			
REVENUE	3	159,061	97,084
Cost of sales		(155,740)	(80,604)
Gross profit		3,321	16,480
Gains on deemed disposal of a partial interest in a subsidiary	4	–	69,083
Gain on disposal of a partial interest in an associate	5	–	119,532
Loss on deemed disposal of a partial interest in an associate	6	(2,778)	–
Other income and gains	3	9,455	4,424
Selling and distribution costs		(6,638)	(8,081)
Administrative expenses		(56,021)	(49,983)
Other expenses, net		424	(25,199)
Finance costs	7	–	(1,338)
Share of profits and losses of:			
Jointly-controlled entities		(861)	(11,836)
Associates		1,151	(662)
PROFIT/(LOSS) BEFORE TAX	8	(51,947)	112,420
TAX	9	(538)	(325)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(52,485)	112,095
DISCONTINUED OPERATION:			
Profit for the period from the discontinued operation	10	–	16,251
PROFIT/(LOSS) FOR THE PERIOD		(52,485)	128,346
Attributable to:			
Shareholders of the Company:			
Continuing operations		(47,939)	121,838
Discontinued operation		–	9,556
Minority interests		(47,939)	131,394
		(4,546)	(3,048)
		(52,485)	128,346
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic (HK cents)	11		
– For profit/(loss) for the period		(7.01)	20.90
– For profit/(loss) from continuing operations		(7.01)	19.38
Diluted (HK cents)			
– For profit for the period		N/A	20.76
– For profit from continuing operations		N/A	19.25

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		8,013	8,149
Investment properties		42,180	42,180
Goodwill		68,625	68,625
Other intangible assets		7,765	8,546
Interests in jointly-controlled entities		29,372	29,888
Interests in associates		395,154	384,712
Trade and bills receivables	13	32,901	16,555
Deferred tax assets		1,847	704
Total non-current assets		<u>585,857</u>	<u>559,359</u>
CURRENT ASSETS			
Inventories		32,850	34,726
Amounts due from customers for contract work		51,360	29,880
Trade and bills receivables	13	90,935	95,522
Prepayments, deposits and other receivables		97,546	91,595
Pledged deposits		4,470	9,890
Cash and cash equivalents		600,717	718,373
Total current assets		<u>877,878</u>	<u>979,986</u>

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

As at 30 June 2008

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	14	140,690	215,598
Amounts due to customers for contract work		13,922	15,487
Tax payable		1,183	1,992
Other payables and accruals		129,593	84,892
Total current liabilities		285,388	317,969
NET CURRENT ASSETS			
Net assets		592,490	662,017
EQUITY			
Equity attributable to shareholders of the Company:			
Issued capital	15	687,181	681,481
Reserves		444,635	436,134
Proposed final dividend		-	54,702
Minority interests		1,131,816	1,172,317
Total equity		46,531	49,059
		1,178,347	1,221,376

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to shareholders of the Company											
	Issued capital	Share premium account	Share option reserve	Capital reserve	Property revaluation reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits/ losses	Proposed final dividend	Total	Minority interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2008	681,481	169,280*	14,858*	335,500*	-	24,269*	40,619*	(148,392)*	54,702	1,172,317	49,059	1,221,376
Exchange realignment	-	-	-	-	-	12,016	-	-	-	12,016	313	12,329
Total income and expense for the period recognised directly in equity	-	-	-	-	-	12,016	-	-	-	12,016	313	12,329
Loss for the period	-	-	-	-	-	-	-	(47,939)	-	(47,939)	(4,546)	(52,485)
Total income and expense for the period	-	-	-	-	-	12,016	-	(47,939)	-	(35,923)	(4,233)	(40,156)
Deemed disposal of a partial interest in an associate	-	-	-	6,716	-	5,196	-	-	-	11,912	-	11,912
Exercise of share options	5,700	1,039	(1,039)	-	-	-	-	-	-	5,700	-	5,700
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	-	-	1,705	1,705
Equity-settled share option arrangements	-	-	32,784	-	-	-	-	-	-	32,784	-	32,784
Transfer to PRC reserve funds	-	-	-	-	-	-	599	(599)	-	-	-	-
2007 final dividend approved and paid	-	-	-	-	-	-	-	(272)	(54,702)	(54,974)	-	(54,974)
At 30 June 2008	<u>687,181</u>	<u>170,319*</u>	<u>46,603*</u>	<u>342,216*</u>	-	<u>41,481*</u>	<u>41,218*</u>	<u>(197,202)*</u>	-	<u>1,131,816</u>	<u>46,531</u>	<u>1,178,347</u>
At 1 January 2007	591,981	5,961	5,214	-	30,877	8,902	34,883	(112,483)	-	565,335	99,705	665,040
Share issue expenses	-	(5,832)	-	-	-	-	-	-	-	(5,832)	-	(5,832)
Exchange realignment	-	-	-	-	-	550	-	-	-	550	(58)	492
Total income and expense for the period recognised directly in equity	-	(5,832)	-	-	-	550	-	-	-	(5,282)	(58)	(5,340)
Profit/(loss) for the period	-	-	-	-	-	-	-	131,394	-	131,394	(3,048)	128,346
Total income and expense for the period	-	(5,832)	-	-	-	550	-	131,394	-	126,112	(3,106)	123,006
Issue of shares	89,000	165,000	-	-	-	-	-	-	-	254,000	-	254,000
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	15,000	15,000
Disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(15,180)	(15,180)
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	(33,597)	(33,597)
Transfer to retained profits	-	-	(4,083)	-	(461)	-	-	4,544	-	-	-	-
Transfer to PRC reserve funds	-	-	-	-	-	-	1,134	(1,134)	-	-	-	-
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(394)	(394)
At 30 June 2007	<u>680,981</u>	<u>165,129</u>	<u>1,131</u>	-	<u>30,416</u>	<u>9,452</u>	<u>36,017</u>	<u>22,321</u>	-	<u>945,447</u>	<u>62,428</u>	<u>1,007,875</u>

* These reserve accounts comprise the reserves of HK\$444,635,000 (31 December 2007: HK\$436,134,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended	
	30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(106,880)	(33,476)
NET CASH INFLOW FROM INVESTING ACTIVITIES	6,569	127,340
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(27,569)	249,362
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(127,880)	343,226
Cash and cash equivalents at beginning of period	718,373	281,052
Effect of foreign exchange rate changes, net	10,224	186
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>600,717</u>	<u>624,464</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>600,717</u>	<u>624,464</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2007.

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

2. Segment information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The following tables present revenue and profit/(loss) for the Group's business segments for the six months ended 30 June 2008 and 2007.

	Six months ended 30 June 2008				
	Continuing operations			Discontinued operation	Consolidated (Unaudited) HK\$'000
	Information technology (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Restaurant operation (Unaudited) HK\$'000	
SEGMENT REVENUE					
Sales to external customers	157,558	1,503	159,061	-	159,061
Other income and gains	1,356	-	1,356	-	1,356
Total	158,914	1,503	160,417	-	160,417
SEGMENT RESULTS	(22,863)	4	(22,859)	-	(22,859)
Unallocated other income and gains			8,099	-	8,099
Unallocated expenses			(37,477)	-	(37,477)
Share of profits less losses of:					
Jointly-controlled entities	(861)	-	(861)	-	(861)
Associates	1,151	-	1,151	-	1,151
Loss before tax			(51,947)	-	(51,947)
Tax			(538)	-	(538)
Loss for the period			(52,485)	-	(52,485)

2. Segment information *(continued)*

	Six months ended 30 June 2007				Consolidated (Unaudited) HK\$'000
	Continuing operations			Discontinued operation	
	Information technology (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Restaurant operation (Unaudited) HK\$'000	
SEGMENT REVENUE					
Sales to external customers	95,268	1,816	97,084	143,784	240,868
Other income and gains	1,528	–	1,528	430	1,958
Total	96,796	1,816	98,612	144,214	242,826
SEGMENT RESULTS	(47,763)	(3,739)	(51,502)	12,785	(38,717)
Unallocated other income and gains			191,511	4,325	195,836
Unallocated expenses			(13,753)	–	(13,753)
Finance costs			(1,338)	(250)	(1,588)
Share of profits less losses of:					
Jointly-controlled entities	(11,836)	–	(11,836)	1,105	(10,731)
Associates	(598)	(64)	(662)	–	(662)
Profit before tax			112,420	17,965	130,385
Tax			(325)	(1,714)	(2,039)
Profit for the period			112,095	16,251	128,346

3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents (1) an appropriate proportion of contract revenue of construction contracts, net of value-added tax, business tax and government surcharges; (2) the net invoiced value of goods sold, net of value-added tax and government surcharges and after allowances for returns and trade discounts; (3) the value of services rendered, net of business tax and government surcharges; and (4) gross rental income during the period.

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

	Six months ended	
	30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue		
Construction contracts	132,630	60,918
Sale of softwares	18,956	6,232
Rendering of services	5,972	28,118
Gross rental income	1,503	1,816
Receipts from restaurant operations	–	143,784
	<u>159,061</u>	<u>240,868</u>
Attributable to:		
Continuing operations reported in the condensed consolidated income statement	159,061	97,084
Discontinued operation – note 10	–	143,784
	<u>159,061</u>	<u>240,868</u>
Other income and gains		
Bank interest income	6,194	2,912
Imputed interest on interest-free trade and other receivables with extended credit periods	–	351
Government grants*	–	1,320
Foreign exchange differences, net	3,028	–
Others	233	287
	<u>9,455</u>	<u>4,870</u>
Attributable to:		
Continuing operations reported in the condensed consolidated income statement	9,455	4,424
Discontinued operation – note 10	–	446
	<u>9,455</u>	<u>4,870</u>

* The government grants represented PRC and overseas tax subsidies, which comprised corporate income tax and value-added tax refunds. The government grants are unconditional.

4. Gains on deemed disposal of a partial interest in a subsidiary

The gains on deemed disposal of a partial interest in a subsidiary recognised during the six months ended 30 June 2007 arose from (i) the dilution of the Group's effective equity interest in China information Technology Development Limited ("CIT Development") from 55.05% to 45.43% following the issuance of 300,000,000 and 468,000,000 new ordinary shares by CIT Development in February and May 2007, respectively, and (ii) the exercise of share options of CIT Development by certain share option holders for 46,300,000 ordinary shares of CIT Development in aggregate during the period from March to April 2007.

CIT Development ceased to be a subsidiary and became an associate of the Group upon its issuance of 468,000,000 new ordinary shares in May 2007.

5. Gain on disposal of a partial interest in an associate

The gain on disposal of a partial interest in an associate recognised during the six months ended 30 June 2007 of HK\$119,532,000 was attributable to the disposal of 220,000,000 ordinary shares of CIT Development in June 2007 by the Group.

6. Loss on deemed disposal of a partial interest in an associate

The loss on deemed disposal of a partial interest in an associate recognised during the six months ended 30 June 2008 of HK\$2,778,000 arose from the dilution of the Group's effective equity interest in CIT Development from 30.41% to 29.18% upon the exercise of convertible bonds of CIT Development by the bondholder in exchange for 261,000,000 ordinary shares of CIT Development in aggregate in February and April 2008.

7. Finance costs

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on bank borrowings and overdrafts	–	1,588
Attributable to:		
Continuing operations reported in the condensed consolidated income statement	–	1,338
Discontinued operation – note 10	–	250
	–	1,588

8. Profit/(loss) before tax

The Group's profit/(loss) before tax (including those attributable to discontinued operation) is arrived at after charging/(crediting):

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Depreciation	1,246	5,605
Amortisation of other intangible assets *	1,364	1,490
Impairment of available-for-sale investments ®	–	1,160
Impairment of an amount due from an associate ®	33	4,146
Impairment of inventories *	–	1,696
Impairment/(reversal of impairment) of trade and bills receivables, net ®	(1,095)	12,892
Impairment of other receivables, net ®	335	6,982

* These amounts are included in "Cost of sales" on the face of the condensed consolidated income statement.

® These amounts are included in "Other expenses, net" on the face of the condensed consolidated income statement.

9. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2008. The income tax provision in respect of operations in Mainland China and overseas is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's subsidiaries, jointly-controlled entities and associates in Mainland China enjoy income tax exemptions and reductions and are subject to income tax rates ranging from 7.5% to 15%.

9. Tax (continued)

	Six months ended	
	30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	–	51
Current – Elsewhere		
Charge for the period	1,152	1,825
Underprovision in prior periods	480	83
Deferred	(1,094)	80
	<u>538</u>	<u>2,039</u>
Total tax charge for the period	<u>538</u>	<u>2,039</u>
Attributable to:		
Continuing operations reported in the condensed consolidated income statement	538	325
Discontinued operation – note 10	–	1,714
	<u>538</u>	<u>2,039</u>

The share of tax credit attributable to jointly-controlled entities for the six months ended 30 June 2008 amounted to HK\$344,000 (2007: tax charge of HK\$1,000) is included in "Share of profits and losses of jointly-controlled entities" on the face of the condensed consolidated income statement.

The share of tax attributable to an associate for the six months ended 30 June 2008 amounted to HK\$1,350,000 (2007: Nil) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

10. Discontinued operation

The Group's discontinued operation in the period ended 30 June 2007 represented the restaurant operations operated by BD Ah Yat Abalone Group Limited. Further details of the disposal are set out in notes 14 and 38(a) to the consolidated financial statements of the Group for the year ended 31 December 2007 as included in the Company's annual report for that year.

11. Earnings/(loss) per share attributable to shareholders of the Company

The calculation of basic earnings/(loss) per share amounts for the six months ended 30 June 2008 and 2007 is based on the profit/(loss) for the period attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the periods.

Diluted loss per share amounts for the six months ended 30 June 2008 had not been disclosed as the share options outstanding during that period had an anti-dilutive effect on the basic loss per share for that period.

The calculation of diluted earnings per share amounts for the six months ended 30 June 2007 were based on the profit for the period attributable to shareholders of the Company, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options of the Company into ordinary shares.

The calculation of the basic and diluted earnings/(loss) per share amounts is based on the following data:

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Earnings/(loss):		
Profit/(loss) for the period attributable to shareholders of the Company used in the basic and diluted earnings/(loss) per share calculation		
From continuing operations	(47,939)	121,838
From discontinued operation – note 10	–	9,556
	<u>(47,939)</u>	<u>131,394</u>
Number of ordinary shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	<u>684,195,436</u>	628,794,962
Effect of dilution of share options – weighted average number of ordinary shares		<u>4,164,018</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation		<u>632,958,980</u>

12. Interim dividend

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

13. Trade and bills receivables

The various Group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. Certain customers are allowed to settle the construction contract sum by three annual instalments. An aged analysis of the trade and bills receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade and bills receivables are non-interest-bearing.

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

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Neither past due nor impaired	<u>32,901</u>	<u>16,555</u>
Past due but not impaired:		
Current and within 3 months	69,432	76,748
4 to 6 months	1,223	5,181
7 to 12 months	19,387	6,976
Over 1 year	893	6,617
	<u>90,935</u>	<u>95,522</u>
	<u>123,836</u>	<u>112,077</u>

14. Trade and bills payables

The trade and bills payables are non-interest-bearing and normally settled within 30 to 90 days.

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

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within 3 months	45,019	185,867
4 to 6 months	44,548	16,213
7 to 12 months	41,891	5,516
Over 1 year	9,232	8,002
	<u>140,690</u>	<u>215,598</u>

15. Share capital

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
687,181,150 (31 December 2007: 681,481,150) ordinary shares of HK\$1 each	<u>687,181</u>	<u>681,481</u>

During the six months ended 30 June 2008, the subscription rights attaching to 5,700,000 share options were exercised at the subscription price of HK\$1 per share, resulting in the issue of 5,700,000 ordinary shares of HK\$1 each for a total cash consideration of HK\$5,700,000.

15. Share capital *(continued)*

A summary of the transactions during the six months ended 30 June 2008 with reference to the above movement in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2008	681,481,150	681,481	169,280	850,761
Share options exercised	<u>5,700,000</u>	<u>5,700</u>	<u>1,039</u>	<u>6,739</u>
At 30 June 2008	<u>687,181,150</u>	<u>687,181</u>	<u>170,319</u>	<u>857,500</u>

Share options

Details of the Company's share options scheme and the movement in share options granted under the scheme are set out under the heading "Share option scheme" in the section of "General Information" on pages 29 to 32.

16. Contingent liabilities

At 30 June 2008, the Group did not have any significant contingent liabilities (31 December 2007: Nil).

17. Capital commitments

At the balance sheet date, the Group had the following capital commitments, which are authorised, but not contracted for:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Capital commitments in respect of:		
Addition capital contribution to jointly-controlled entities	187,500	183,512
Plant and machinery	34,091	–
	<u>221,591</u>	<u>183,512</u>

At 30 June 2008, the Group's share of jointly-controlled entities' capital commitments is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Contracted, but not provided for	64,675	22,171
Authorised, but not contracted for	4,987	118,152
	<u>69,662</u>	<u>140,323</u>

18. Related party disclosures

(a) Material transactions with related parties

	Note	Six months ended	
		30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
A jointly-controlled entity:			
Sale of products	(i)	1,620	–
Associates:			
Purchase of products	(i)	4,982	–
Subcontracting fee paid	(i)	–	9,046

Note:

- (i) These transactions were conducted in terms and conditions mutually agreed between the parties.

(b) Outstanding balances (net of impairment) with related parties

	30 June	31 December
	2008 (Unaudited) HK\$'000	2007 (Audited) HK\$'000
Due from related parties:		
A substantial shareholder	1,086	1,017
Jointly-controlled entities	52,789	179
Associates	428	364
Related companies	24,381	17,569
Minority shareholders	1,818	106
Due to related parties:		
A jointly-controlled entity	43	64
Associates	35,752	16,635
Related companies	5,318	6,520

The balances with related parties are unsecured, interest-free and are repayable on demand, except for an amount of HK\$14,130,000 (31 December 2007: HK\$17,285,000) due from a related company which is secured and repayable by instalments by 2008.

18. Related party disclosures *(continued)*

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Short term employee benefits	2,367	1,394
Post-employment benefits	213	32
Share-based payments	<u>26,317</u>	<u>394</u>
Total compensation paid to key management personnel	<u><u>28,897</u></u>	<u><u>1,820</u></u>

19. Events after the balance sheet date

Subsequent to the balance sheet date, the following significant events occurred:

- (a) On 24 June 2008, Prime Technology Group Limited, a wholly-owned subsidiary of the Company has entered into a conditional sale and purchase agreement with Mr. Wang Zhenyu, an executive director and the chief executive officer of CIT Development and also a director and the general manager of Beijing Enterprises UniCard Co., Ltd., a non-wholly owned subsidiary of the Company, to dispose of 600 million ordinary shares of CIT Development, representing approximately 9.24% of the then entire issued share capital of CIT Development at a consideration of HK\$132,000,000. The transaction was approved by the independent shareholders at the extraordinary general meeting held on 30 July 2008. Pursuant to a supplemental deed entered into between Prime Technology Group Limited and Mr. Wang Zhenyu on 14 August 2008, the date of completion has been extended to a date on or before 19 December 2008.

19. Events after the balance sheet date *(continued)*

- (b) Subsequent to the balance sheet date, the Company purchased 1,902,000 shares of its own shares through The Stock Exchange of Hong Kong Limited:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate cost paid HK\$'000	Transaction cost HK\$'000	Total consideration HK\$'000
August 2008	1,902,000	1.72	1.47	3,063	18	3,081

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

20. Approval of the condensed consolidated financial statements

These condensed consolidated financial statements were approved and authorised for issue by the board of directors on 16 September 2008.

GENERAL INFORMATION

Directors

The directors of the Company during the six months ended 30 June 2008 were:

Executive directors:

Mr. E Meng (*chairman*)

Mr. Zhang Honghai

Mr. Li Kangying (*president*)

Mr. Wang Yong (*vice president*)

Mr. Cao Wei (*vice president*)

Mr. Ng Kong Fat, Brian

Dr. Yu Xiaoyang (*resigned on 4 February 2008*)

Independent non-executive directors:

Dr. Jin Lizuo

Dr. Huan Guocang

Dr. Wang Jianping

Directors' service contracts

At 30 June 2008, 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 2008.

Directors' interests and short positions in shares and underlying shares

At 30 June 2008, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

Directors' interests and short positions in shares and underlying shares *(continued)*

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
Mr. E Meng	601,000	Directly beneficially owned	0.09
Mr. Zhang Honghai	4,000,000	Directly beneficially owned	0.58
Mr. Li Kangying	304,000	Directly beneficially owned	0.04
Mr. Cao Wei	190,000	Directly beneficially owned	0.03
Mr. Ng Kong Fat, Brian	8,792,755 *	Through a controlled corporation	1.28
Mr. Ng Kong Fat, Brian	1,600,000	Directly beneficially owned	0.23

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

Long positions in shares options of the Company:

The interests of the directors in the share options of the Company are separately disclosed under the heading "Share option scheme" below.

Long positions in share options of an associated corporation:

At 30 June 2008, the interests of directors in share options to subscribe for the ordinary shares of CIT Development, an associate of the Group, were as follows:

Name of director	Notes	Number of share options held
Mr. E Meng	(b)	8,100,000
Mr. Zhang Honghai	(d)	20,000,000
Mr. Li Kangying	(b)	9,000,000
Mr. Cao Wei	(b)	8,100,000
Mr. Ng Kong Fat, Brian	(c)	<u>2,500,000</u>

Directors' interests and short positions in shares and underlying shares *(continued)*

Notes:

- (a) The interests of each director disclosed above are all directly beneficially owned.
- (b) These share options were granted on 13 September 2007 at an exercise price of HK\$0.79 per ordinary share of CIT Development which is subject to adjustment in the case of rights or bonus issues, or other similar changes in CIT Development's share capital. The share options may be exercised at any time commencing on 13 March 2008 and, pursuant to the resignation of Mr. E Meng, Mr. Li Kangying and Mr. Cao Wei as executive directors of CIT Development, have been cancelled on 5 September 2008.
- (c) These share options were granted on 13 September 2007 at an exercise price of HK\$0.79 per ordinary share of CIT Development which is subject to adjustment in the case of rights or bonus issues, or other similar changes in CIT Development's share capital. The share options may be exercised at any time commencing on 13 March 2008 and, pursuant to the resignation of Mr. Ng Kong Fat, Brian as a consultant of CIT Development and if not otherwise exercised, will lapse on 25 September 2008.
- (d) These share options were granted on 11 February 2008 at an exercise price of HK\$0.53 per ordinary share of CIT Development which is subject to adjustment in the case of rights or bonus issues, or other similar changes in CIT Development's share capital. The share options may be exercised at any time commencing on 11 August 2008 and, if not otherwise exercised, will lapse on 10 February 2013. The exercise of share options is subject to an annual cap of 25% of the share options granted. Subject to the approval of the share option committee and the remuneration committee of CIT Development, Mr. Zhang Honghai is entitled to exercise all the share options within three months from the date of termination of his employment.

Save as disclosed above, as at 30 June 2008, 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 under the heading "Share option scheme" below, at no time during the six months ended 30 June 2008 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 spouse 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") to give executives and key employees of the Group an interest in preserving and maximising shareholders' value in the longer term, to enable the Company and the relevant subsidiaries to attract and retain individuals with experience and ability and to reward individuals for future performance. Eligible participants of the Scheme include the executive directors and employees of the Company or any of its subsidiaries. The Scheme became effective on 18 June 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the number of ordinary shares of the Company in issue at any time. The maximum number of ordinary shares issuable under share options to each eligible participant in the Scheme is limited to 25% of the aggregate number of ordinary shares for the time being issued and issuable under the Scheme.

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

The exercise price of the 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 of the closing price of the Company's ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's ordinary shares.

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

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

Share option scheme *(continued)*

The following table sets out the movements in the Company's share options outstanding during the six months ended 30 June 2008:

Name or category of participant	Notes	Number of share options			At 30 June 2008
		At 1 January 2008	Granted during the period	Exercised during the period	
Executive directors:					
Mr. E Meng	(b)	4,500,000	–	–	4,500,000
	(c)	–	1,500,000	–	1,500,000
		<u>4,500,000</u>	<u>1,500,000</u>	<u>–</u>	<u>6,000,000</u>
Mr. Zhang Honghai	(a)	3,400,000	–	(3,400,000)	–
	(b)	6,800,000	–	–	6,800,000
		<u>10,200,000</u>	<u>–</u>	<u>(3,400,000)</u>	<u>6,800,000</u>
Mr. Li Kangying	(b)	4,500,000	–	–	4,500,000
Mr. Wang Yong	(b)	6,000,000	–	–	6,000,000
Mr. Cao Wei	(b)	4,000,000	–	–	4,000,000
Mr. Ng Kong Fat, Brian	(b)	4,000,000	–	–	4,000,000
Dr. Yu Xiaoyang*	(a)	2,300,000	–	(2,300,000)	–
Independent non-executive directors:					
Dr. Jin Lizuo	(b)	680,000	–	–	680,000
Dr. Huan Guocang	(d)	–	680,000	–	680,000
Dr. Wang Jianping	(d)	–	680,000	–	680,000
Other employees:					
In aggregate	(b)	<u>29,500,000</u>	<u>–</u>	<u>–</u>	<u>29,500,000</u>
		<u>65,680,000</u>	<u>2,860,000</u>	<u>(5,700,000)</u>	<u>62,840,000</u>

* Dr. Yu Xiaoyang resigned as an executive director of the Company on 4 February 2008.

Share option scheme *(continued)*

Notes:

- (a) These share options were granted on 27 June 2006 at an exercise price of HK\$1.00* per ordinary share of the Company. The share options may be exercisable at any time commencing on 27 June 2006 and, if not otherwise exercised, will lapse on 17 June 2011. The outstanding share options as at 1 January 2008 was 5,700,000. All these share options were exercised during the period. The weighted average share price at the date of exercise for share options exercised during the period was HK\$3.02.
- (b) These share options were granted on 30 October 2007 at an exercise price of HK\$4.03* per ordinary share of the Company. The share options may be exercised in two equal portions. The first portion is exercisable at any time commencing on 1 May 2008, and the other portion is exercisable from 1 May 2009 and, if not otherwise exercised, will lapse on 17 June 2011. The vesting periods of each of the portion is from the date of grant to the respective commencement dates of the exercise periods. Subject to the approval of the remuneration committee of the Company, directors of the Company are entitled to exercise all the share options within three months from the date of termination of their employment with the Company.
- (c) These share options were granted on 4 February 2008 at an exercise price of HK\$3.17* per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$3.10. The share options may be exercisable at any time commencing on 1 May 2008 and, if not otherwise exercised, will lapse on 17 June 2011. The vesting period is from the date of grant to the commencement date of the exercise period.
- (d) These share options were granted on 4 February 2008 at an exercise price of HK\$3.17* per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$3.10. The share options may be exercised in two equal portions. The first portion is exercisable at any time commencing on 1 May 2008, and the other portion is exercisable from 1 May 2009 and, if not otherwise exercised, will lapse on 17 June 2011. The vesting periods of each of the portion is from the date of grant to the respective commencement dates of the exercise periods.
- * The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

2,860,000 share options were granted during the six months ended 30 June 2008. The fair value of the share options granted during the period was estimated as at the date of grant, using the Black-Scholes-Merton option pricing model and taking into account the terms and conditions upon which the options were granted, at approximately HK\$1,977,000, of which approximately HK\$1,503,000 was recognised by the Group in the condensed consolidated financial statements as a share option expense during the six months ended 30 June 2008.

Grantee	Number of share options granted during the period	Theoretical value of share options HK\$'000
Mr. E Meng	1,500,000	875
Dr. Huan Guocang	680,000	551
Dr. Wang Jianping	680,000	551
	<u>2,860,000</u>	<u>1,977</u>

Share option scheme *(continued)*

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

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

Dividend yield (%)	–
Expected volatility (%)	54.87
Risk-free interest rate (%)	1.44 to 1.533
Expected life of share options (months)	9 to 28

The expected life of the share options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the volatility for the last 208 weeks is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

At 30 June 2008, the Company had 62,840,000 share options outstanding under the Scheme, which represented approximately 9.1% of the Company's ordinary shares in issue at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 62,840,000 additional ordinary shares of the Company, additional share capital of HK\$62,840,000 and share premium of approximately HK\$187,946,000 before any issuance expenses.

On 9 July 2008, 13,000,000 share options were granted at an exercise price of HK\$2.07 per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$2.06. The share options may be exercisable at any time commencing on 11 August 2008 and, if not otherwise exercised, will lapse on 17 June 2011. The vesting period is from the date of grant to the commencement date of the exercise period.

Substantial shareholders' interests and short positions in shares and underlying shares

At 30 June 2008, 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			Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporations	Others		
Idata Finance Trading Limited ("Idata")		275,675,000	–	–	275,675,000	40.12
Beijing Enterprises Holdings Limited ("BEHL")	(a)	13,607,000	275,675,000	–	289,282,000	42.10
Beijing Enterprises Group (BVI) Company Limited ("BEBVI")	(b)	–	289,282,000	–	289,282,000	42.10
Beijing Enterprises Group Company Limited ("BEGCL")	(b)	–	289,282,000	–	289,282,000	42.10
Trophy Fund		97,108,250	–	–	97,108,250	14.13
Trophy Asset Management Limited ("TAML")	(c)	–	–	117,668,250	117,668,250	17.12
Winnington Capital Limited ("WCL")	(c)	–	–	117,528,250	117,528,250	17.10
Mr. Hung Kam Biu ("Mr. Hung")	(c)	–	118,938,250	–	118,938,250	17.31
Ms. Chu Jocelyn ("Ms. Chu")	(c)	–	118,938,250	–	118,938,250	17.31
UBS AG	(d)	60,000,000	–	1,500,000	61,500,000	8.95

Substantial shareholders' interests in shares and underlying shares *(continued)*

Notes:

- (a) The interest disclosed include 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.
- (c) The interests disclosed include the ordinary shares owned by Trophy Fund. TAML and WCL are investment managers of Trophy Fund and other funds. Mr. Hung has 100% and 50% beneficial interests in TAML and WCL, respectively. Ms. Chu is the spouse of Mr. Hung. Accordingly, each of TAML, WCL, Mr. Hung and Ms. Chu is deemed to be interested in the ordinary shares owned by Trophy Fund.
- (d) The interest disclosed includes 60,000,000 ordinary shares owned by UBS AG and 1,500,000 ordinary shares held as a person having a security interest in the ordinary shares.

Save as disclosed above, as at 30 June 2008, 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 2008.

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 issue share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE 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, the Company complied with the code provisions (the "Code Provisions") as set out in Appendix 14 "Code of Corporate Governance Practices" to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period under review, except Code Provisions A.1.1 and A.4.1.

- (1) Code Provision A.1.1 stipulates members of the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals and such regular board meetings will normally involve the active participation, either in person or through other electronic means of communication. However, the Company considers it is more efficient to hold board meetings to address emerging issues as appropriate.
- (2) Code Provision A.4.1 stipulates non-executive directors should be appointed for a specific term, subject to re-election. However, none of the existing non-executive directors of the Company is appointed for a specific term. All of the non-executive directors are subject to retirement by rotation in accordance with the Company's articles of association.

As such, the Company considers that sufficient measures are in place to ensure that the corporate governance practices of the Company are no less exacting than those of the Code Provisions.

Directors' securities transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules to govern securities transactions by the directors. After having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code and its code of conduct throughout the period under review.

Audit committee

The audit committee of the Company was established in compliance with rule 3.21 of the Listing Rules. The role and function of the audit committee include supervising the accounting and financial reporting procedure and auditing the financial statements of the Group, examining and monitoring the internal control system adopted by the Group and reviewing the relevant work of the Group's external auditors. Members of the audit committee include three independent non-executive directors, Dr. Huan Guocang (chairman of the audit committee), Dr. Jin Lizuo and Dr. Wang Jianping.

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2008.

Remuneration committee

The remuneration committee of the Company was established in accordance with the Code Provisions. The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. Members of the remuneration committee include the executive chairman of the Company, Mr. E. Meng, and three independent non-executive directors, Dr. Jin Lizuo (chairman of the remuneration committee), Dr. Huan Guocang and Dr. Wang Jianping.

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