

# Beijing

Development (Hong Kong) Limited  
(Stock Code 154)

Interim Report  
2011  
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## Directors

### Executive directors:

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

### Independent non-executive directors:

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

## Company Secretary

Mr. Wong Kwok Wai, Robin

## Authorised Representatives

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

## Registered Office

66th Floor  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

## Website

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

## Stock Code

154

## Share Registrars

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

## Auditors

Ernst & Young

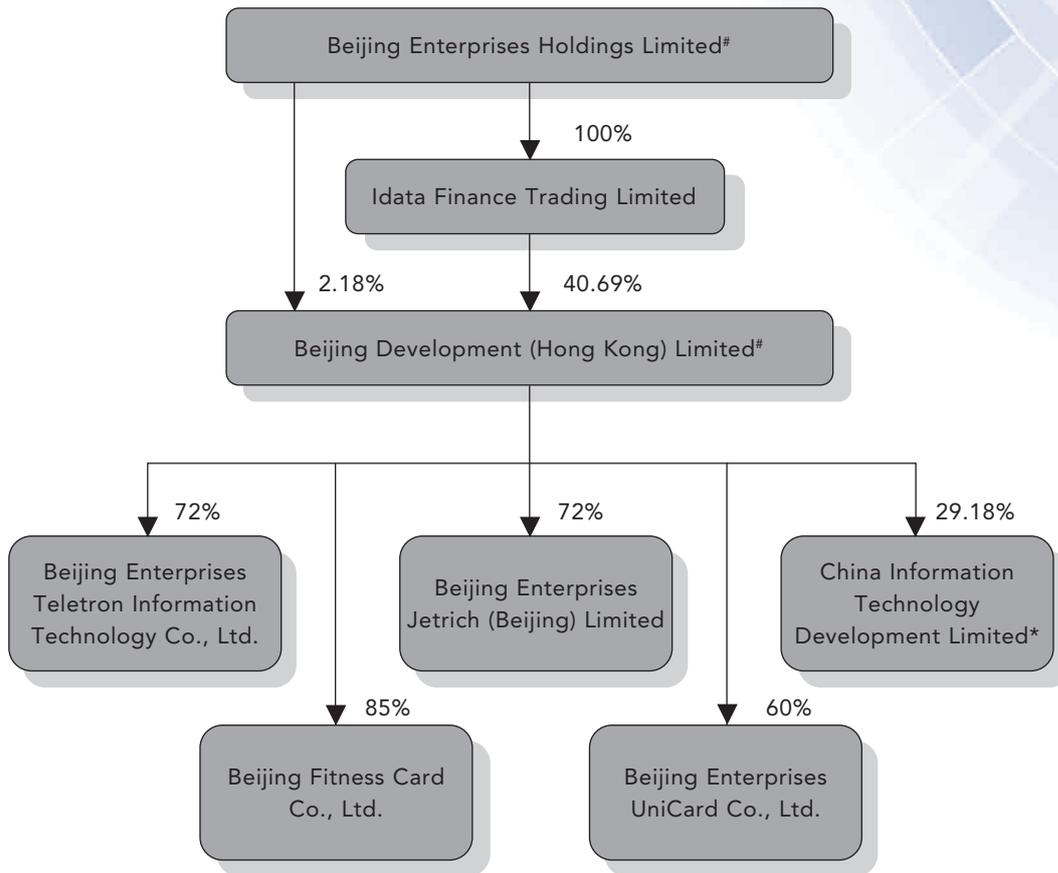
## Principal Bankers

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

25 August 2011



# 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

As Beijing Municipal Administration & Communications Card Co., Ltd. ("BMAC") has failed to generate profit contribution to the Group over the years, it has been passed at the Company's general meeting that the entire 43% equity interest in BMAC would be disposed of at a cash consideration of RMB96,380,000. It is expected that the relevant review and approval procedures in the PRC will be completed within the second half of the year, realising significant extraordinary gain for the Group.

During the period under review, the Group continued to provide cross-sector information technology services with a focus on three major segments of intellectualisation projects, IT service, as well as electronic payment and settlement. With regard to the rail transportation sector in Beijing, the safety door project for Line 9 and the automated fare collection system phase II for Line 8 under construction for the Beijing subway are projected to open for traffic and operation by the end of December this year. For the non-rail transportation sector, the Company has proactively solicited a number of intellectualisation works and services projects in Beijing and the peripheral areas with a view to gradually expand its business realm.

As to the IT service segment, the Company continued to focus on the cores, namely the Beijing Education Information Network, CMIS/EBI studentship management system and student cards for primary and secondary schools in Beijing. We will proactively pursue R&D, work project and services for the IT related services on education sector in Beijing. In respect of the electronic payment and settlement segment, the Company continued to promote the business of fitness card value-adding business, while at the same time strived to explore the business of self-serviced buying of welfare lottery tickets.

## Prospects

The Group is close to completing the disposal and realisation of BMAC. It will continue to closely assess its assets portfolio in order to further adjust its business structure, enhance and realise any remaining non-performing assets and provide sustainable operating profit contributions. Under appropriate market environment and with abundant liquidity, the Group will leverage on the investment and finance platform to strengthen its assets structure through mergers and acquisition activities, with the aim of creating reasonable return for the shareholders.

## Financial Review

### Revenue

The Group's revenue in the first half of 2011 was HK\$45,690,000, dropped 23% as compared with HK\$59,022,000 in the first half of 2010. This was mainly caused by the decrease in the volume of large-scale IT construction contracts in rail transportation sector.

### Cost of Sales

The Group's cost of sales in the first half of 2011 was HK\$43,723,000, dropped 22% as compared with HK\$56,336,000 in the first half of 2010.

### Gross Profit

The Group's gross profit in the first half of 2011 was HK\$1,967,000, and the overall gross profit margin slightly decreased to 4.3%.

### Other Income, Net

The Group's other income in the first half of 2011 amounted to HK\$15,316,000 (2010: HK\$7,015,000), mainly comprised of bank interest income of HK\$2,469,000 and imputed interest on interest-free trade receivables with extended credit periods of HK\$12,289,000.

## Financial Review *(continued)*

### Selling and Distribution Costs

The Group's selling and distribution costs in the first half of 2011 increased by 18% to HK\$5,308,000.

### Administrative Expenses

Excluding the share option expense of HK\$27,882,000 (2010: Nil) incurred during the current period, the Group's administrative expenses in the first half of 2011 decreased by 7% to HK\$28,456,000.

### Other Expenses, Net

The Group's other expenses in the first half of 2011 amounted to HK\$335,000 (2010: credit balance of HK\$3,916,000).

### Finance Costs

The Group's finance costs of HK\$4,428,000 (2010: HK\$690,000) in the first half of 2011 wholly represented the imputed interest on interest-free trade payables with extended credit periods.

### Share of Profits and Losses of Jointly-controlled Entities

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

### Share of Profits and Losses of Associates

The Group's share of results of associates in the first half of 2011 substantially represented the 29.18% share of net loss of China Information Technology Development Limited of HK\$3,473,000.

### Income Tax

The Group's income tax in the first half of 2011 comprised current tax charge in Mainland China of HK\$59,000 and deferred tax charge of HK\$507,000.

### Loss for the Period

Based on the foregoing, the Group's loss for the six months ended 30 June 2011 was HK\$55,771,000, increased by HK\$29,803,000 or 115% as compared with the loss of HK\$25,968,000 in the corresponding period of last year, which was mainly caused by the share option expenses of HK\$27,882,000 incurred during the current period. The loss attributable to shareholders of the Company was HK\$50,311,000, increased by HK\$31,110,000 or 162% as compared with the loss of HK\$19,201,000 in the corresponding period of last year.

## Financial Position

During the period under review, there was no change in the capital structure of the Company. As at 30 June 2011, the Group had total assets and total liabilities of HK\$909,914,000 and HK\$281,473,000, respectively, decreased by HK\$15,476,000 from HK\$925,390,000 and increased by HK\$251,000 from HK\$281,222,000, respectively, as at 31 December 2010. The Group's net assets decreased by HK\$15,727,000 from HK\$644,168,000 to HK\$628,441,000, of which equity attributable to shareholders of the Company amounted to HK\$606,475,000 as at 30 June 2011.

As at 30 June 2011, the cash and bank balances held by the Group amounted to HK\$608,657,000, which were denominated as to approximately 34% in Hong Kong dollars and 66% in Renminbi. The Group did not have any bank borrowings, nor did it hold any financial derivatives. As at 30 June 2011, the Group had a strong net working capital of HK\$572,075,000 and its current ratio and the total liabilities to assets ratio remained steady at 3.59 times and 31%, respectively. The Group has sufficient cash resources to finance its operations and capital expenditures in the foreseeable future.

During the period under review, the Group had capital expenditures of HK\$1,575,000. As at 30 June 2011, the Group's capital commitment amounted to HK\$48,193,000. The Group did not have any material contingent liabilities.

## Employees

At 30 June 2011, the Group had approximately 310 employees. The Group's employee remuneration policy and package are periodically reviewed by the management based on the employees' work performance, professional experiences and prevailing market practices. Discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance. The Group's total expenses on employee benefits, excluding share option expenses, in the first half of 2011 amounted to HK\$21,174,000, comparing to HK\$21,960,000 in the first half of 2010.

By order of the Board

**E Meng**

*Chairman*

Hong Kong, 25 August 2011

# CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	4	45,690	59,022
Cost of sales		(43,723)	(56,336)
Gross profit		1,967	2,686
Other income, net	4	15,316	7,015
Selling and distribution costs		(5,308)	(4,486)
Administrative expenses		(56,338)	(30,741)
Other expenses, net		(335)	3,916
Finance costs	5	(4,428)	(690)
Share of profits and losses of:			
Jointly-controlled entities		(2,665)	(2,621)
Associates		(3,414)	(981)
LOSS BEFORE TAX	6	(55,205)	(25,902)
Income tax	7	(566)	(66)
LOSS FOR THE PERIOD		(55,771)	(25,968)
Attributable to:			
Shareholders of the Company		(50,311)	(19,201)
Non-controlling interests		(5,460)	(6,767)
		(55,771)	(25,968)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
– Basic and diluted (HK cents)	8	(7.43)	(2.83)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(55,771)	(25,968)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX OF NIL		
– Exchange differences on translating foreign operations	12,077	4,697
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(43,694)</b>	<b>(21,271)</b>
Attributable to:		
Shareholders of the Company	(40,720)	(15,488)
Non-controlling interests	(2,974)	(5,783)
	<b>(43,694)</b>	<b>(21,271)</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Equipment		9,696	9,423
Investment properties		45,849	44,771
Goodwill		10,000	10,000
Other intangible assets		3,653	5,109
Investments in jointly-controlled entities		12,251	14,565
Investments in associates		18,804	21,037
Trade receivables	10	15,249	29,875
Deferred tax assets		1,205	1,672
<b>Total non-current assets</b>		<b>116,707</b>	<b>136,452</b>
<b>CURRENT ASSETS</b>			
Inventories		12,856	4,610
Amounts due from contract customers		4,263	2,742
Trade receivables	10	130,215	131,486
Prepayments, deposits and other receivables		37,216	29,864
Income tax recoverable		-	527
Pledged deposits		2,097	119
Cash and cash equivalents		606,560	619,590
<b>Total current assets</b>		<b>793,207</b>	<b>788,938</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	101,462	135,430
Amounts due to contract customers		16,796	8,185
Other payables and accruals		102,874	87,251
Income tax payable		-	23
<b>Total current liabilities</b>		<b>221,132</b>	<b>230,889</b>
<b>NET CURRENT ASSETS</b>		<b>572,075</b>	<b>558,049</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>688,782</b>	<b>694,501</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and bills payables	11	12,148	15,039
Deferred income		48,193	35,294
<b>Total non-current liabilities</b>		<b>60,341</b>	<b>50,333</b>
<b>Net assets</b>		<b>628,441</b>	<b>644,168</b>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital	12	677,460	677,460
Reserves		(70,985)	(58,232)
<b>Non-controlling interests</b>		<b>606,475</b>	<b>619,228</b>
		<b>21,966</b>	<b>24,940</b>
<b>Total equity</b>		<b>628,441</b>	<b>644,168</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2011

	Attributable to shareholders of the Company										
	Issued capital	Share premium account	Capital redemption reserve	Share option reserve	Capital reserve	Exchange fluctuation reserve	PRC reserve funds	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	677,460	170,319	9,721	64,014	5,701	60,772	41,717	(410,476)	619,228	24,940	644,168
Loss for the period	-	-	-	-	-	-	-	(50,311)	(50,311)	(5,460)	(55,771)
Other comprehensive income for the period	-	-	-	-	-	9,591	-	-	9,591	2,486	12,077
Total comprehensive income/(loss) for the period	-	-	-	-	-	9,591	-	(50,311)	(40,720)	(2,974)	(43,694)
Equity-settled share option arrangements	-	-	-	27,882	-	-	-	-	27,882	-	27,882
Transfer of share option reserves upon the forfeiture/lapse of share options	-	-	-	(64,014)	-	-	-	64,014	-	-	-
Transfer to PRC reserve funds	-	-	-	-	-	-	21	(21)	-	-	-
Share of reserves of an associate	-	-	-	-	85	-	-	-	85	-	85
At 30 June 2011	677,460	170,319*	9,721*	27,882*	5,786*	70,363*	41,738*	(396,794)*	606,475	21,966	628,441
At 1 January 2010	677,460	170,319	9,721	71,069	850	45,705	41,455	(393,809)	622,770	27,099	649,869
Loss for the period	-	-	-	-	-	-	-	(19,201)	(19,201)	(6,767)	(25,968)
Other comprehensive income for the period	-	-	-	-	-	3,713	-	-	3,713	984	4,697
Total comprehensive income/(loss) for the period	-	-	-	-	-	3,713	-	(19,201)	(15,488)	(5,783)	(21,271)
Transfer to PRC reserve funds	-	-	-	-	-	-	256	(256)	-	-	-
Transfer from accumulated losses	-	-	-	-	3,039	-	-	(3,039)	-	-	-
Share of reserves of an associate	-	-	-	-	(1,529)	-	-	-	(1,529)	-	(1,529)
At 30 June 2010	677,460	170,319	9,721	71,069	2,360	49,418	41,711	(416,305)	605,753	21,316	627,069

\* These reserve accounts comprise the negative reserves of HK\$70,985,000 (31 December 2010: HK\$58,232,000) in the consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(20,375)	(22,206)
NET CASH FLOWS FROM INVESTING ACTIVITIES	9,281	5,573
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,094)	(16,633)
Cash and cash equivalents at beginning of period	392,564	471,332
Effect of foreign exchange rate changes, net	5,451	3,098
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>386,921</b>	<b>457,797</b>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	229,018	308,756
Time deposits	379,639	304,023
Less: Pledged deposits	(2,097)	(959)
Cash and cash equivalents as stated in the consolidated statement of financial position	606,560	611,820
Less: Time deposits with maturity of more than three months when acquired	(219,639)	(154,023)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	386,921	457,797

## 1. Basis of Preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2011 are prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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 2010, except for the adoption of the following new, revised or amendments to the Hong Kong Financial Reporting Standards (the "new HKFRSs") issued by the HKICPA, which are generally effective for the first time for the current period's financial statements:

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19 <i>Improvements to HKFRSs</i> (May 2010)	<i>Extinguishing Financial Liabilities with Equity Instruments</i> Amendments to a number of HKFRSs

The adoption of the new 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.

## 2. Accounting Policies *(continued)*

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKFRS 10	<i>Consolidated Financial Instruments</i> <sup>4</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>4</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>4</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>4</sup>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> <sup>3</sup>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i> <sup>2</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>4</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>4</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the adoption of these new, revised or 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 result from these business activities. Accordingly, the directors are of the opinion that IT related services in Mainland China is a single reportable segment of the Group.

An analysis of the Group's revenues from external customers for each group of similar products and services is disclosed in note 4 to the 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 2011, the Group had transactions with a single external customer which contributed to over 10% of the Group's total revenue (2010: one). The revenue generated from sales to this customer for the period amounted to HK\$5,614,000 (2010: HK\$9,834,000).

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. Revenue and Other Income, Net

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 aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; (3) an appropriate proportion of contract revenue of the services rendered, net of business tax and government surcharges; and (4) gross rental income received and receivable from investment properties during the period.

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

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Revenue</b>		
Construction contracts	10,126	12,433
Sale of softwares	30,909	39,502
Rendering of services	4,655	6,716
Gross rental income	-	371
	<b>45,690</b>	<b>59,022</b>
<b>Other income, net</b>		
Bank interest income	2,469	1,877
Imputed interest on interest-free trade receivables with extended credit periods	12,289	425
Others	558	4,713
	<b>15,316</b>	<b>7,015</b>

## 5. Finance Costs

Finance costs of the Group for the six months ended 30 June 2011 represented imputed interest on interest-free trade payables with extended credit periods (2010: HK\$690,000).

## 6. Loss Before Tax

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

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation	1,470	1,360
Amortisation of other intangible assets <sup>@</sup>	1,579	1,263
Impairment of an amount due from an associate	30	31
Reversal of impairment of trade receivables, net*	(1,429)	(3,953)
Equity-settled share option expense	27,882	-

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

\* The reversal of impairment of trade receivables, net for the period is 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 2011 as the Group did not generate any assessable profits arising in Hong Kong during the period (2010: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current – Mainland China		
Underprovision in prior periods	59	66
Deferred	507	-
Total tax charge for the period	566	66

## 8. Loss per Share Attributable to Shareholders of the Company

The calculation of the basic loss per share amounts is based on the loss for the period attributable to shareholders of the Company and the weighted average of 677,460,150 (2010: 677,460,150) ordinary shares in issue during the period.

In respect of the diluted loss per share amounts, no adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2011 and 2010 as (i) the share options of the Company outstanding during these periods have an anti-dilutive effect on the respective basic loss per share amounts for these periods; and (ii) the deemed exercise of the outstanding share options issued by China Information Technology Development Limited, an associate of the Group, do not have a diluting effect on the respective basic loss per share amounts for these periods.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 9. Interim Dividend

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

## 10. Trade 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. The credit period granted to customers is generally one to three months, with an instalment period extended up to six years for major customers. An aged analysis of the trade receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade receivables are non-interest-bearing.

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Neither past due nor impaired	15,249	29,875
Past due but not impaired:		
Current or within 3 months	67,816	126,593
4 to 6 months	15,116	2,549
7 to 12 months	45,961	1,645
Over 1 year	1,322	699
	130,215	131,486
Portion classified as current assets	145,464 (130,215)	161,361 (131,486)
Non-current portion	15,249	29,875

## 11. Trade and Bills Payables

The trade and bills payables are non-interest-bearing and normally settled within 30 to 90 days, with credit period extended up to five years offered by major suppliers.

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within 3 months	4,922	41,291
4 to 6 months	4,128	362
7 to 12 months	31,235	284
Over 1 year	11,697	7,406
Balances with extended credit period	<b>61,628</b>	101,126
	<b>113,610</b>	150,469
Portion classified as current liabilities	<b>(101,462)</b>	(135,430)
Non-current portion	<b>12,148</b>	15,039

## 12. Share Capital

### Shares

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$1 each	<b>1,000,000</b>	1,000,000
Issued and fully paid:		
677,460,150 ordinary shares of HK\$1 each	<b>677,460</b>	677,460

### 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 21 to 24.

## 13. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2011 (31 December 2010: Nil).

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 14. Capital Commitments

At 30 June 2011, the Group had capital commitments in respect of plant and machinery of HK\$48,193,000 (31 December 2010: HK\$35,294,000), which are authorised, but not contracted for.

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Contracted, but not provided for	2,683	1,395
Authorised, but not contracted for	4,779	5,164
	<b>7,462</b>	<b>6,559</b>

## 15. Related Party Disclosures

(a) Material transactions with related parties during the period:

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Purchase of goods from a jointly-controlled entity	4,406	4,954
Purchase of goods from associates	10,491	2,357
Sub-contracting fee paid to an associate	3,157	-
Sales of goods to a jointly-controlled entity	415	-
Sales of goods to an associate	1,889	-
Share of rental expenses with a substantial shareholder	563	-

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

(b) Other transaction with a related party:

On 13 May 2011, Business Net Limited ("BNL"), a wholly-owned subsidiary of the Company, as vendor, entered into a conditional equity transfer agreement with Beijing Enterprises Group Company Limited ("BEGCL"), a substantial shareholder of the Company, as purchaser, pursuant to which BNL conditionally agreed to sell and BEGCL conditionally agreed to purchase 43% equity interest of Beijing Municipal Administration & Communications Card Co., Ltd., a jointly-controlled entity of the Group, for a total cash consideration of Renminbi 96,380,000 (equivalent to approximately HK\$116,120,000), which will be settled in cash by instalments up to 31 December 2012. Up to the date of this interim report, the disposal transaction has not yet been completed.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15. Related Party Disclosures *(continued)*

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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Due from:		
Jointly-controlled entities	2,951	2,457
A non-controlling equity holder	1,807	1,765
Due to:		
A jointly-controlled entity	12	12
Associates	11,494	29,568
A non-controlling shareholder	20,000	-

The balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

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

	<b>Six months ended 30 June</b>	
	<b>2011 (Unaudited) HK\$'000</b>	2010 (Unaudited) HK\$'000
Short term employee benefits	2,460	2,876
Post-employment benefits	151	201
Equity-settled share option expense	26,004	-
<b>Total compensation paid to key management personnel</b>	<b>28,615</b>	<b>3,077</b>

## 16. Approval of the Condensed Consolidated Financial Statements

These condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2011.

## Directors

The directors of the Company during the six months ended 30 June 2011 and up to the date of this report were:

### Executive directors:

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

### Independent non-executive directors:

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

## Directors' Service Contracts

At 30 June 2011, 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 2011.

## Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2011, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

### Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through a controlled corporation	Total	
Mr. E Meng	601,000	-	601,000	0.09
Mr. Zhang Honghai	4,000,000	-	4,000,000	0.59
Mr. Yan Qing	4,000	-	4,000	-
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755 <sup>#</sup>	10,392,755	1.53
	6,205,000	8,792,755	14,997,755	2.21

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

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

### Long positions in share options of the Company:

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

Save as disclosed above, as at 30 June 2011, none of the directors had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section "Share Option Scheme" below, at no time during the six months ended 30 June 2011 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Share Option Scheme

On 31 May 2011, a new share option scheme (the "Scheme") is adopted by the shareholders at the annual general meeting of the Company and replaced the old share option scheme adopted by the Company on 18 June 2001. 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 of director (whether executive or non-executive) of the Company or any subsidiary of the Company; (ii) any non-executive director and any independent non-executive director or officer of any member of the Group; and (iii) any consultant of any member of the Group. The Scheme became effective on 31 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the number of ordinary shares of the Company in issue at any time. The maximum number of ordinary shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of these limits is subject to shareholders' approval in a general meeting.

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

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

## Share Option Scheme (continued)

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 the grantee ceased to be an employee of the Group.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2011:

Name or category of participant	Notes	Number of share options			At 30 June 2011
		At 1 January 2011	Granted during the period	Forfeited/ lapsed during the period	
<b>Executive directors:</b>					
Mr. E Meng	(a)	4,500,000	-	(4,500,000)	-
	(b)	1,500,000	-	(1,500,000)	-
	(d)	3,000,000	-	(3,000,000)	-
	(e)	-	6,770,000	-	6,770,000
		9,000,000	6,770,000	(9,000,000)	6,770,000
Mr. Zhang Honghai	(a)	6,800,000	-	(6,800,000)	-
	(e)	-	6,770,000	-	6,770,000
		6,800,000	6,770,000	(6,800,000)	6,770,000
Mr. Wang Yong	(a)	6,000,000	-	(6,000,000)	-
	(d)	1,000,000	-	(1,000,000)	-
	(e)	-	6,770,000	-	6,770,000
		7,000,000	6,770,000	(7,000,000)	6,770,000
Mr. Yan Qing	(a)	3,200,000	-	(3,200,000)	-
	(d)	1,500,000	-	(1,500,000)	-
	(e)	-	4,700,000	-	4,700,000
		4,700,000	4,700,000	(4,700,000)	4,700,000
Mr. Ng Kong Fat, Brian	(a)	4,000,000	-	(4,000,000)	-
	(d)	1,500,000	-	(1,500,000)	-
	(e)	-	5,500,000	-	5,500,000
		5,500,000	5,500,000	(5,500,000)	5,500,000

## Share Option Scheme (continued)

Name or category of participant	Notes	Number of share options			At 30 June 2011
		At 1 January 2011	Granted during the period	Forfeited/ lapsed during the period	
<b>Independent non-executive directors:</b>					
Dr. Jin Lizuo	(a)	680,000	-	(680,000)	-
	(e)	-	670,000	-	670,000
		680,000	670,000	(680,000)	670,000
Dr. Huan Guocang	(c)	680,000	-	(680,000)	-
	(e)	-	670,000	-	670,000
		680,000	670,000	(680,000)	670,000
Dr. Wang Jianping	(c)	680,000	-	(680,000)	-
	(e)	-	670,000	-	670,000
		680,000	670,000	(680,000)	670,000
<b>Other employees:</b>					
In aggregate	(a)	25,300,000	-	(25,300,000)	-
	(d)	900,000	-	(900,000)	-
	(e)	-	18,900,000	-	18,900,000
		26,200,000	18,900,000	(26,200,000)	18,900,000
		61,240,000	51,420,000	(61,240,000)	51,420,000

### Notes:

- (a) These share options were granted on 30 October 2007 at an exercise price of HK\$4.03<sup>®</sup> per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$4.07. The share options were exercised in two equal portions. The first portion was exercisable at any time commencing on 1 May 2008, and the other portion was exercisable from 1 May 2009 and, if not otherwise exercised, were lapsed on 17 June 2011. The vesting periods of each of the portion was 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 were entitled to exercise all the share options within three months from the date of termination of their employment with the Company.
- (b) These share options were granted on 4 February 2008 at an exercise price of HK\$3.17<sup>®</sup> per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$3.11. The share options were exercisable at any time commencing on 1 May 2008, and if not otherwise exercised, were lapsed on 17 June 2011. The vesting period was from the date of grant to the commencement date of the exercise period.

## Share Option Scheme (continued)

Notes: (continued)

- (c) These share options were granted on 4 February 2008 at an exercise price of HK\$3.17<sup>®</sup> per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$3.11. The share options were exercisable in two equal portions. The first portion was exercisable at any time commencing on 1 May 2008, and the other portion was exercisable from 1 May 2009 and, if not otherwise exercised, were lapsed on 17 June 2011. The vesting periods of each of the portion was 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 were entitled to exercise all the share options within three months from the date of termination of their employment with the Company.
- (d) These share options were granted on 9 July 2008 at an exercise price of HK\$2.07<sup>®</sup> 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 were exercisable at any time commencing on 11 August 2008, and if not otherwise exercised, were lapsed on 17 June 2011. The vesting period was from the date of grant to the commencement date of the exercise period.
- (e) These share options were granted on 21 June 2011 at an exercise price of HK\$1.25<sup>®</sup> per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$1.19. The share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.
- <sup>®</sup> The exercise price of these share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

51,420,000 share options were granted during the six months ended 30 June 2011. 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\$27,882,000, which was fully recognised by the Group in the consolidated income statement as an equity-settled share option expense during the six months ended 30 June 2011.

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

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

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

The expected life of the share options is based on the assessment by the management and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the volatility for the last 520 days 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 2011, the Company had 51,420,000 share options outstanding under the Scheme, which represented approximately 7.59% of the Company's ordinary shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 51,420,000 additional ordinary shares of the Company and additional share capital of HK\$51,420,000 and share premium of HK\$12,855,000, before any issuance expenses.

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

At 30 June 2011, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions in ordinary shares of the Company:

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

#### Notes:

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

Save as disclosed above, as at 30 June 2011, 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 2011.

## Sufficiency of Public Float

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

## Corporate Governance Practices

The Company is committed to ensuring high standard of corporate governance and establishing a formal and transparent procedure to protect and maximise the interests of shareholders. In the opinion of the directors, 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.

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.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors. All the directors have confirmed 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 2011.

## Audit Committee

The audit committee of the Company was established in compliance with rule 3.21 of the Listing Rules and with terms of reference in accordance with Code Provision C.3.3. The current members of the audit committee comprise three independent non-executive directors, namely Dr. Huan Guocang (chairman), Dr. Jin Lizuo and Dr. Wang Jianping.

The role and function of the audit committee include supervising the accounting and financial reporting procedure and auditing the financial statements of the Group, examining and monitoring the internal control system adopted by the Group and reviewing the relevant work of the Group's external auditors.

The audit committee has reviewed the unaudited condensed consolidated financial statement of the Group for the six months ended 30 June 2011.

## Remuneration Committee

The remuneration committee of the Company was established with terms of reference in accordance with Code Provision B.1.3. The current members of the remuneration committee are Dr. Jin Lizuo (chairman), Mr. E Meng, Dr. Huan Guocang and Dr. Wang Jianping. The majority of the remuneration committee members are independent non-executive directors.

The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors.

## 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 2011, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.