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北京發展(香港)有限公司
BEIJING DEVELOPMENT (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 154)

ANNOUNCEMENT OF SUMMARISED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

- Revenue for the first half of 2010 decreased by 49% to HK\$59 million as compared to the corresponding period of 2009.
- Loss attributable to shareholders of the Company for the first half of 2010 decreased by 19% to HK\$19.2 million as compared to the corresponding period of 2009.
- Loss per share attributable to shareholders of the Company amounted to HK2.8 cents.
- Net assets as at 30 June 2010 amounted to HK\$627.1 million, decreased by HK\$22.8 million as compared to 31 December 2009.
- The Board does not recommend the payment of an interim dividend for the current period.

The board of directors (the “Board”) of Beijing Development (Hong Kong) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010, together with comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2010

	<i>Notes</i>	Six months ended	
		2010	2009
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	4	59,022	115,403
Cost of sales		<u>(56,336)</u>	<u>(110,854)</u>
Gross profit		2,686	4,549
Other income	4	7,015	3,055
Selling and distribution costs		(4,486)	(2,959)
Administrative expenses		(30,741)	(35,770)
Other expenses, net		3,916	79
Finance costs	5	(690)	–
Share of profits and losses of:			
Jointly-controlled entities		(2,621)	(254)
Associates		<u>(981)</u>	<u>28</u>
LOSS BEFORE TAX	6	(25,902)	(31,272)
Income tax	7	<u>(66)</u>	<u>2,587</u>
LOSS FOR THE PERIOD		<u>(25,968)</u>	<u>(28,685)</u>
Attributable to:			
Shareholders of the Company		(19,201)	(23,822)
Non-controlling interests		<u>(6,767)</u>	<u>(4,863)</u>
		<u>(25,968)</u>	<u>(28,685)</u>
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
– Basic and diluted (HK cents)		<u>(2.83)</u>	<u>(3.52)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	<u>(25,968)</u>	<u>(28,685)</u>
OTHER COMPREHENSIVE INCOME:		
Share of exchange reserve movements of an associate	(554)	–
Exchange differences on translating foreign operations	<u>5,251</u>	<u>110</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX OF NIL	<u>4,697</u>	<u>110</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(21,271)</u></u>	<u><u>(28,575)</u></u>
Attributable to:		
Shareholders of the Company	(15,488)	(23,728)
Non-controlling interests	<u>(5,783)</u>	<u>(4,847)</u>
	<u><u>(21,271)</u></u>	<u><u>(28,575)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Equipment		9,834	10,559
Investment properties		44,267	43,764
Goodwill		10,000	10,000
Other intangible assets		3,906	5,110
Interests in jointly-controlled entities		10,084	12,562
Interests in associates		20,224	23,259
Trade receivables	9	23,426	23,440
Deferred tax assets		3,058	3,023
		<hr/>	<hr/>
Total non-current assets		124,799	131,717
CURRENT ASSETS			
Inventories		29,977	7,749
Amounts due from contract customers		9,080	6,866
Trade receivables	9	89,995	94,585
Prepayments, deposits and other receivables		34,892	56,844
Income tax recoverable		560	1,627
Pledged deposits		959	4,489
Cash and cash equivalents		611,820	629,287
		<hr/>	<hr/>
Total current assets		777,283	801,447
CURRENT LIABILITIES			
Trade and bills payables	10	117,347	134,618
Amounts due to contract customers		10,529	9,503
Income tax payable		-	239
Other payables and accruals		95,121	89,300
		<hr/>	<hr/>
Total current liabilities		222,997	233,660
NET CURRENT ASSETS			
		<hr/>	<hr/>
		554,286	567,787
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		679,085	699,504
NON-CURRENT LIABILITIES			
Trade and bills payables	10	17,533	15,544
Deferred income		34,483	34,091
		<hr/>	<hr/>
Total non-current liabilities		52,016	49,635
Net assets			
		<hr/>	<hr/>
		627,069	649,869
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	11	677,460	677,460
Reserves		(71,707)	(54,690)
		<hr/>	<hr/>
		605,753	622,770
Non-controlling interests		<hr/>	<hr/>
		21,316	27,099
Total equity			
		<hr/>	<hr/>
		627,069	649,869

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2010

	Attributable to shareholders of the Company										
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
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
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	<u>677,460</u>	<u>170,319*</u>	<u>9,721*</u>	<u>71,069*</u>	<u>2,360*</u>	<u>49,418*</u>	<u>41,711*</u>	<u>(416,305)*</u>	<u>605,753</u>	<u>21,316</u>	<u>627,069</u>
At 1 January 2009	677,460	170,319	9,721	66,120	20,474	41,816	40,831	(258,915)	767,826	45,619	813,445
Total comprehensive income/(loss) for the period	-	-	-	-	-	94	-	(23,822)	(23,728)	(4,847)	(28,575)
Equity-settled share option arrangements	-	-	-	8,623	-	-	-	-	8,623	-	8,623
Transfer to accumulated losses	-	-	-	(3,674)	-	-	-	3,674	-	-	-
Transfer to PRC reserve funds	-	-	-	-	-	-	465	(465)	-	-	-
At 30 June 2009	<u>677,460</u>	<u>170,319</u>	<u>9,721</u>	<u>71,069</u>	<u>20,474</u>	<u>41,910</u>	<u>41,296</u>	<u>(279,528)</u>	<u>752,721</u>	<u>40,772</u>	<u>793,493</u>

* These reserve accounts comprise the negative reserves of HK\$71,707,000 (31 December 2009: HK\$54,690,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(22,206)	(6,037)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	<u>5,573</u>	<u>(17,563)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,633)	(23,600)
Cash and cash equivalents at beginning of period	471,332	486,278
Effect of foreign exchange rate changes, net	<u>3,098</u>	<u>110</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>457,797</u></u>	<u><u>462,788</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	612,779	616,235
Less: Pledged deposits	<u>(959)</u>	<u>(6,288)</u>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	611,820	609,947
Less: Time deposits with maturity of more than three months when acquired	<u>(154,023)</u>	<u>(147,159)</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u><u>457,797</u></u>	<u><u>462,788</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2010 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 2009, 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 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs (May 2009)	<i>Amendments to a number of HKFRSs</i>

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.

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

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparatives HKFRS 7 Disclosures for First-time Adopters</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ³
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ³
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²
Improvements to HKFRSs (May 2010)	Amendments to a number of HKFRSs

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ 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.

Analysis of the Group's revenues from external customers for each group of similar products and services are 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 of the Group are located in the PRC.

During the six months ended 30 June 2010, the Group had transactions with a single external customer which contributed to over 10% of the Group's total revenue (2009: one). The revenue generated from this customer amounted to HK\$9,834,000 (2009: HK\$87,739,000).

4. REVENUE AND OTHER INCOME

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) 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 is as follows:

	Six months ended	
	30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Construction contracts	12,433	90,082
Sale of softwares	39,502	12,693
Rendering of services	6,716	11,317
Gross rental income	371	1,311
	<u>59,022</u>	<u>115,403</u>
Other income		
Bank interest income	1,877	2,442
Imputed interest on interest-free trade receivables with extended credit periods	425	148
Investment income	-	407
Others	4,713	58
	<u>7,015</u>	<u>3,055</u>

5. FINANCE COSTS

	Six months ended	
	30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Imputed interest on interest-free trade payables with extended credit periods	<u>690</u>	<u>-</u>

6. LOSS BEFORE TAX

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

	Six months ended	
	30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	1,360	1,501
Amortisation of other intangible assets [@]	1,263	1,184
Impairment of amount due from an associate	31	31
Reversal of impairment of trade receivables, net [*]	(3,953)	(154)
Written back of provision against inventories, net	–	(91)
	<u> </u>	<u> </u>

[@] The amortisation of other intangible assets for the period is included in “Cost of sales” in the condensed consolidated income statement.

^{*} The reversal of impairment of trade receivables, net for the period is included in “Other expenses, net” in the condensed consolidated income statement.

7. INCOME TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2010 and 2009 as the Group did not generate any assessable profits arising in Hong Kong during the periods. 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	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Elsewhere		
Charge for the period	–	737
Underprovision in prior periods	66	75
Deferred	–	(3,399)
	<u> </u>	<u> </u>
Total tax charge/(credit) for the period	<u>66</u>	<u>(2,587)</u>

8. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to shareholders of the Company and the weighted average of 677,460,150 (2009: 677,460,150) ordinary shares in issue during the period.

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2010 and 2009 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 and deemed conversion of the convertible bonds issued by China Information Technology Development Limited (“CITD”, a 29.18% indirectly-owned associate of the Company), as applicable, do not have a diluting effect on the respective basic loss per share amounts for these periods.

9. 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 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Neither past due nor impaired	<u>23,426</u>	<u>23,440</u>
Past due but not impaired:		
Current or within 3 months	82,420	92,849
4 to 6 months	2,971	534
7 to 12 months	3,467	665
Over 1 year	<u>1,137</u>	<u>537</u>
	<u>89,995</u>	<u>94,585</u>
Portion classified as current assets	<u>113,421</u> <u>(89,995)</u>	118,025 <u>(94,585)</u>
Non-current portion	<u><u>23,426</u></u>	<u><u>23,440</u></u>

10. 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:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within 3 months	4,173	7,374
4 to 6 months	873	315
7 to 12 months	2,417	570
Over 1 year	9,819	9,471
Balances with extended credit period	<u>117,598</u>	<u>132,432</u>
	134,880	150,162
Portion classified as current liabilities	<u>(117,347)</u>	<u>(134,618)</u>
Non-current portion	<u><u>17,533</u></u>	<u><u>15,544</u></u>

11. SHARE CAPITAL

Shares

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$1 each	<u><u>1,000,000</u></u>	<u><u>1,000,000</u></u>
Issued and fully paid: 677,460,150 ordinary shares of HK\$1 each	<u><u>677,460</u></u>	<u><u>677,460</u></u>

There was no movement in the share capital of the Company during the period.

12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2010 (31 December 2009: Nil).

13. CAPITAL COMMITMENTS

At 30 June 2010, the Group had capital commitments in respect of equipment of HK\$34,483,000 (31 December 2009: HK\$34,091,000), 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 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Contracted, but not provided for	1,872	620
Authorised, but not contracted for	<u>3,809</u>	<u>4,277</u>
	<u>5,681</u>	<u>4,897</u>

14. RELATED PARTY DISCLOSURES

(a) Material transactions with related parties:

	Six months ended 30 June 2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Purchase of goods from associates	2,357	–
Purchase of goods from a jointly-controlled entity	<u>4,954</u>	<u>–</u>

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

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

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Due from:		
Jointly-controlled entities	1,050	3,324
An associate	1,832	427
Minority shareholders	1,724	1,704
Due to:		
A jointly-controlled entity	12	12
Associates	27,918	23,805
	<u>27,918</u>	<u>23,805</u>

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

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

	Six months ended 30 June 2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short term employee benefits	2,876	2,703
Post-employment benefits	201	208
Equity-settled share option expense	–	6,738
	<u>3,077</u>	<u>9,649</u>
Total compensation paid to key management personnel	<u>3,077</u>	<u>9,649</u>

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Electronic Payment and Settlement Business

As of 30 June 2010, over 30 million cards were issued by Beijing Municipal Administration & Communications Card Co. Ltd. During the first half of 2010, 2.514 billion transactions were made with settlement amount of RMB2.027 billion, representing an increase of 6.6% and 13.7% respectively as compared to the corresponding period of last year. The use of the Smart Cards in the non-transportation areas was on rapid increase, where 8.18 million transactions were made with settlement amount of RMB110 million was recorded.

Rail Transportation and System Integration Business

During the first half of 2010, Beijing Enterprises Teletron Information Technology Co., Ltd. continued to participate in tenders for new projects in the rail transportation system in Beijing. During the period, the project under construction primarily comprised the supply and installation of safety doors on the Daxing Line, which is expected to commence trial operation in short term. The Automated Fare Collection project phase II for Line 8 and the safety door project for Line 9 are still under planning.

The Group continued to actively participate in the educational information-based construction projects, network maintenance and equipment purchases for various education departments in cities, districts, counties and schools. During the first half of 2010, over ten comprehensive examination and enrolment service projects of different levels in Beijing were completed.

Prospects

The electronic payment and settlement business is our core business in urban information-based construction, while the penetration of the Smart Cards in the non-transportation sectors remained at a relatively low level for the time being, representing ample and long-term room for future growth. The Group will work together with relevant government departments to secure a stable source of revenue from the public transportation system settlement services, and enhance service quality and safeguard the benefits of a large number of users in line with the development of the public transportation system in Beijing.

The Group gained vast experience in various government and infrastructure projects in the rail transportation and education sectors in Beijing. Capitalising on its strength in market development, the Group will endeavour to enhance the profitability of its existing business segments on the one hand and proactively develop new profitable businesses on the other.

The Group will capitalise on its abundant liquidity to fund significant investment should opportunities arise, and will align its capital structure to the market environment by leveraging on its investment and financing platform so as to maximise return to shareholders.

Financial Review

Revenue

Revenue of the Group in the first half of 2010 was HK\$59.02 million, dropped by 48.9% as compared with the first half of 2009. This was mainly caused by the reduction in the contract volume of rail transportation.

Cost of Sales

Cost of sales of the Group dropped by 49.2% to HK\$56.34 million, basically in line with the drop in revenue.

Gross Profit

Gross profit of the Group amounted to HK\$2.69 million and the overall gross profit margin slightly increased to 4.6%.

Other Income

Other income of the Group in the first half of 2010 mainly comprised of consultancy income of HK\$3.26 million, bank interest income of HK\$1.88 million and subsidy income of HK\$1.4 million.

Selling and Distribution Costs

Selling and distribution costs of the Group in the first half of 2010 was HK\$4.49 million, increased by 51.6% as compared to the corresponding period of last year.

Administrative Expenses

Administrative expenses of the Group in the first half of 2010 decreased by 14.1% to HK\$30.74 million. The decrease was mainly due to the share option expenses of HK\$8.62 million amortised during the corresponding period of last year.

Other Expenses

Other expenses of the Group in the first half of 2010 mainly comprised of reversal of impairment of trade receivables of HK\$3.95 million.

Finance Costs

Finance costs of the Group in the first half of 2010 represented imputed interest on interest-free trade payables with extended credit periods of HK\$0.69 million.

Share of Profits and Losses of Jointly-controlled Entities

The Group's share of results of jointly-controlled entities in the first half of 2010 wholly represented the 50% share of net loss of Beijing Education Information Network Services Center Co., Ltd. of HK\$2.62 million.

Share of Profits and Losses of Associates

The Group's share of results of associates in the first half of 2010 substantially represented the 29.18% share of net loss of China Information Technology Development Limited of HK\$1.01 million.

Income Tax

The Group's income tax in the first half of 2010 was HK\$66,000.

Loss for the Period

The Group's loss for the six months ended 30 June 2010 was HK\$25.97 million, reduced by 9.5% as compared with the corresponding period of last year. The loss attributable to shareholders of the Company was reduced by 19.4% to HK\$19.2 million.

Financial Position

During the period under review, there was no movement in the issued capital of the Company. As at 30 June 2010, the Group had total assets of HK\$902.08 million, decreased by HK\$31.08 million from HK\$933.16 million as at 31 December 2009; whilst total liabilities decreased by HK\$8.28 million from HK\$283.29 million to HK\$275.01 million. Total equity decreased by HK\$22.8 million from HK\$649.87 million to HK\$627.07 million, of which shareholders' equity amounted to HK\$605.75 million as at 30 June 2010.

As at 30 June 2010, the cash and bank balances held by the Group amounted to HK\$612.78 million, which were denominated as to approximately 32% in Hong Kong dollars and 68% in Renminbi. The Group did not have any bank borrowings, nor did it hold any financial derivatives. As at 30 June 2010, the Group had a strong net working capital of HK\$55.43 million and its current ratio and the total liabilities to assets ratio were calculated at 3.49 times and 30.5%, 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\$0.55 million. As at 30 June 2010, the Group's capital commitment amounted to HK\$34.48 million. The Group did not have any material contingent liabilities.

Employees

At 30 June 2010, the Group had approximately 330 employees. The Group's employee remuneration policy and package are periodically reviewed by the management based on the employees' work performance, professional experiences and prevailing market practices. Discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance. The Group's total expenses on employee benefits in the first half of 2010 amounted to HK\$21.96 million, comparing to HK\$21.08 million in the first half of 2009.

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 2010.

CORPORATE GOVERNANCE

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 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 2010.

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 2010.

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 2010, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2010 interim report containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bdhk.com.hk>) in due course.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all employees and partners from different sectors for their support.

By order of the Board

E Meng

Chairman

Hong Kong, 31 August 2010

As at the date of this announcement, the Board comprises Mr. E Meng, Mr. Zhang Honghai, Mr. Wang Yong, Mr. Yan Qing, Ms. Sha Ning and Mr. Ng Kong Fat, Brian, as executive directors and Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping as independent non-executive directors.