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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 RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**HIGHLIGHTS**

- Revenue for the year ended 31 December 2011 decreased by 12.5% to HK\$185.18 million as compared with last year.
- A net gain after tax on disposal of 43% equity interest in Beijing Municipal Administration & Communications Card Co., Ltd. of HK\$115.45 million was fully recognised during the year.
- Profit attributable to shareholders of the Company was HK\$54.85 million, as compared with the loss of HK\$23.46 million in 2010.
- Earnings per share attributable to shareholders of the Company amounted to HK8.10 cents.
- Net assets as at 31 December 2011 amounted to HK\$738.14 million, increased by HK\$93.97 million as compared to 31 December 2010.
- The Board does not recommend the payment of any dividend for the year ended 31 December 2011.

The board of directors (the “Board”) of Beijing Development (Hong Kong) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011 together with comparative figures for the previous year as follows:

## CONSOLIDATED INCOME STATEMENT

*Year ended 31 December 2011*

|  | <i>Notes</i> | <b>2011</b><br><b>HK\$'000</b> | 2010<br>HK\$'000 |
|--|--------------|--------------------------------|------------------|
| REVENUE  | 4            | <b>185,184</b>                 | 211,639          |
| Cost of sales  |              | <u><b>(158,986)</b></u>        | <u>(176,752)</u> |
| Gross profit   |              | <b>26,198</b>                  | 34,887           |
| Gain on disposal of a jointly-controlled entity                          |              | <b>122,041</b>                 | —                |
| Other income, net  | 4            | <b>26,226</b>                  | 13,444           |
| Selling and distribution costs   |              | <b>(9,639)</b>                 | (9,326)          |
| Administrative expenses  |              | <b>(89,452)</b>                | (58,325)         |
| Other expenses, net  |              | <b>(13,363)</b>                | 6,059            |
| Finance costs  | 5            | <b>(4,087)</b>                 | (6,223)          |
| Share of profits and losses of:  |              |                                |                  |
| Jointly-controlled entities  |              | <b>112</b>                     | 1,560            |
| Associates   |              | <u><b>(520)</b></u>            | <u>(8,252)</u>   |
| PROFIT/(LOSS) BEFORE TAX   | 6            | <b>57,516</b>                  | (26,176)         |
| Income tax   | 7            | <u><b>(8,578)</b></u>          | <u>(1,587)</u>   |
| PROFIT/(LOSS) FOR THE YEAR   |              | <u><b>48,938</b></u>           | <u>(27,763)</u>  |
| Attributable to:   |              |                                |                  |
| Shareholders of the Company  |              | <b>54,846</b>                  | (23,460)         |
| Non-controlling interests  |              | <u><b>(5,908)</b></u>          | <u>(4,303)</u>   |
|  |              | <u><b>48,938</b></u>           | <u>(27,763)</u>  |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO<br>SHAREHOLDERS OF THE COMPANY | 8            |                                |                  |
| — Basic and diluted (HK cents)   |              | <u><b>8.10</b></u>             | <u>(3.46)</u>    |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2011*

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| PROFIT/(LOSS) FOR THE YEAR                           | <u>48,938</u>           | <u>(27,763)</u>         |
| OTHER COMPREHENSIVE INCOME/(LOSS)                    |                         |                         |
| Exchange fluctuation reserve:                        |                         |                         |
| Translation of foreign operations                    | 20,628                  | 17,332                  |
| Release upon disposal of a jointly-controlled entity | <u>(4,119)</u>          | <u>—</u>                |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR              | <u>16,509</u>           | <u>17,332</u>           |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR       | <u><u>65,447</u></u>    | <u><u>(10,431)</u></u>  |
| Attributable to:                                     |                         |                         |
| Shareholders of the Company                          | 71,541                  | (8,393)                 |
| Non-controlling interests                            | <u>(6,094)</u>          | <u>(2,038)</u>          |
|  | <u><u>65,447</u></u>    | <u><u>(10,431)</u></u>  |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

|   | Notes | 2011<br>HK\$'000 | 2010<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                                 |       |                  |                  |
| Property and equipment                                    |       | 9,718            | 9,423            |
| Investment properties                                     |       | 45,837           | 44,771           |
| Goodwill  |       | —                | 10,000           |
| Other intangible assets                                   |       | 2,496            | 5,109            |
| Investments in jointly-controlled entities                |       | 12,093           | 14,565           |
| Investments in associates                                 |       | 19,034           | 21,037           |
| Trade receivables   | 9     | 15,613           | 29,875           |
| Deferred tax assets                                       |       | —                | 1,672            |
| Total non-current assets                                  |       | 104,791          | 136,452          |
| <b>CURRENT ASSETS</b>                                     |       |                  |                  |
| Inventories   |       | 14,702           | 4,610            |
| Amounts due from contract customers                       |       | 909              | 2,742            |
| Trade receivables   | 9     | 85,106           | 131,486          |
| Prepayments, deposits and other receivables               |       | 117,751          | 29,864           |
| Income tax recoverable                                    |       | —                | 527              |
| Pledged deposits  |       | 1,173            | 119              |
| Cash and cash equivalents                                 |       | 717,035          | 619,590          |
| Total current assets                                      |       | 936,676          | 788,938          |
| <b>CURRENT LIABILITIES</b>                                |       |                  |                  |
| Trade and bills payables                                  | 10    | 118,081          | 135,430          |
| Amounts due to contract customers                         |       | 9,788            | 8,185            |
| Other payables and accruals                               |       | 108,256          | 87,251           |
| Income tax payables                                       |       | 6,762            | 23               |
| Total current liabilities                                 |       | 242,887          | 230,889          |
| <b>NET CURRENT ASSETS</b>                                 |       | 693,789          | 558,049          |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>              |       | 798,580          | 694,501          |
| <b>NON-CURRENT LIABILITIES</b>                            |       |                  |                  |
| Trade payables  | 10    | 13,526           | 15,039           |
| Deferred income   |       | 46,915           | 35,294           |
| Total non-current liabilities                             |       | 60,441           | 50,333           |
| Net assets  |       | 738,139          | 644,168          |
| <b>EQUITY</b>   |       |                  |                  |
| <b>Equity attributable to shareholders of the Company</b> |       |                  |                  |
| Issued capital  |       | 677,460          | 677,460          |
| Reserves  |       | 41,833           | (58,232)         |
| <b>Non-controlling interests</b>                          |       | 719,293          | 619,228          |
|   |       | 18,846           | 24,940           |
| Total equity  |       | 738,139          | 644,168          |

## **NOTES:**

### **1. Basis of Preparation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

#### **Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group’s share of components previously recognised in other comprehensive income is reclassified to the income statement or accumulated losses, as appropriate.

## 2. Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year'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>Extinguishing Financial Liabilities with Equity Instruments</i>  |
| <i>Improvements to HKFRSs 2010</i> | Amendments to a number of HKFRSs issued in May 2010   |

Other than as further explained below regarding the impact of HKAS 24 (Revised) and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010*

*Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *HKAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- *HKAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

### **3. Operating Segment Information**

Over 90% of the Group's revenue, expenses and assets are generated from the provision of IT related services in Mainland China. The management of the Group makes decisions about resources allocation and assesses performance of the Group based on the operating results from these business activities. Accordingly, the directors are of the opinion that IT related services in Mainland China is a single reportable operating segment of the Group.

An analysis of the Group's revenues from external customers for each group of similar products and services is disclosed in note 4.

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 year, the Group had transactions with a single external customer (2010: one) which contributed over 10% of the Group's total revenue. The revenue generated from the sales to this customer for the year amounted to HK\$44,903,000 (2010: HK\$56,230,000).

### **4. Revenue and Other Income, Net**

Revenue, which is also the Group's turnover, represents (1) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; (2) the value of services rendered, net of business tax; and (3) gross rental income received and receivable from investment properties during the year.

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

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Revenue</b>   |                         |                         |
| Sale of IT related products  | 123,994                 | 139,973                 |
| Maintenance contracts  | 27,662                  | 29,236                  |
| Software development contracts   | 17,137                  | 18,534                  |
| System integration contracts   | 16,391                  | 23,552                  |
| Gross rental income  | —                       | 344                     |
|  | <u>185,184</u>          | <u>211,639</u>          |
| <b>Other income, net</b>   |                         |                         |
| Bank interest income   | 7,037                   | 6,152                   |
| Imputed interest on interest-free trade receivables with extended credit periods | 14,676                  | 1,446                   |
| Government grants released*  | 2,468                   | —                       |
| Others   | 2,045                   | 5,846                   |
|  | <u>26,226</u>           | <u>13,444</u>           |

- \* Various government grants have been received by the Group from a government authority in Mainland China in respect of the fitness card system business carried out by Beijing Fitness Card Co., Ltd., a 85% owned subsidiary of the Group. The government grants have been recognised in the consolidated income statement to match the related expenses that they are intended to compensate or over the expected useful lives of the relevant assets by equal annual instalments. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

## 5. Finance Costs

Finance costs of the Group for the years ended 31 December 2011 and 2010 represented imputed interest on interest-free trade payables with extended credit periods.

## 6. Profit/(Loss) Before Tax

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

|  | 2011<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Cost of inventories sold   | 106,949                 | 117,251                 |
| Cost of services provided  | 48,259                  | 54,289                  |
| Write-down of inventories to net realisable value <sup>@</sup>             | 327                     | 1,286                   |
| Depreciation   | 2,974                   | 2,815                   |
| Minimum lease payments under operating leases of<br>land and buildings     | 9,001                   | 7,165                   |
| Amortisation of other intangible assets <sup>@</sup>                       | 2,820                   | 2,656                   |
| Fair value loss on investment properties <sup>#</sup>                      | 1,144                   | 538                     |
| Impairment of goodwill <sup>#</sup>  | 10,000                  | —                       |
| Impairment of an amount due from an associate <sup>#</sup>                 | 31                      | 30                      |
| Impairment/(reversal of impairment) of trade receivables, net <sup>#</sup> | 876                     | (6,687)                 |
| Impairment of other receivables <sup>#</sup>                               | 834                     | —                       |
| Loss on disposal of items of property and equipment, net <sup>#</sup>      | 11                      | 59                      |
| Auditors' remuneration   | 2,200                   | 2,200                   |
| Employee benefit expense (including directors' remuneration):              |                         |                         |
| Wages and salaries   | 39,641                  | 36,516                  |
| Equity-settled share option expense  | 27,882                  | —                       |
| Pension scheme contributions   | 4,336                   | 3,309                   |
|  | <u>71,859</u>           | <u>39,825</u>           |
| Rental income on investment properties                                     | —                       | (344)                   |
| Less: Direct operating expenses  | <u>631</u>              | <u>1,270</u>            |
|  | <u>631</u>              | <u>926</u>              |
| Foreign exchange differences, net  | <u><u>864</u></u>       | <u><u>1,390</u></u>     |

<sup>@</sup> These items are included in "Cost of sales" in the consolidated income statement.

<sup>#</sup> These items are included in "Other expenses, net" in the consolidated income statement.

## 7. Income Tax

No provision for Hong Kong profits tax has been made for the year ended 31 December 2011 as the Group did not generate any assessable profits arising in Hong Kong during the year (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.

|                               | 2011<br>HK\$'000 | 2010<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Current — Mainland China      |                  |                  |
| Charge for the year           | 6,762            | 62               |
| Underprovision in prior years | 61               | 68               |
| Deferred                      | 1,755            | 1,457            |
|                               | <hr/>            | <hr/>            |
| Total tax charge for the year | 8,578            | 1,587            |
|                               | <hr/>            | <hr/>            |

## 8. Earnings/(Loss) per Share Attributable to Shareholders of the Company

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

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2011 and 2010 as the share options of the Company outstanding during these years have an anti-dilutive effect on the respective basic earnings/(loss) per share amounts for these years.

## 9. Trade Receivables

Various companies of the Group have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one to three months, with an instalment period extended up to six years for major customers. An aged analysis of the trade receivables is regularly prepared and closely monitored in order to minimise any related credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

|                                      | <b>2011</b><br><b>HK\$'000</b> | 2010<br><i>HK\$'000</i> |
|--------------------------------------|--------------------------------|-------------------------|
| Neither past due nor impaired        | <u><b>68,836</b></u>           | <u>103,133</u>          |
| Past due but not impaired:           |                                |                         |
| Less than 3 months                   | <b>18,777</b>                  | 53,335                  |
| 4 to 6 months                        | <b>39</b>                      | 2,549                   |
| 7 to 12 months                       | <b>10,564</b>                  | 1,645                   |
| Over 1 year                          | <u><b>2,503</b></u>            | <u>699</u>              |
|                                      | <u><b>31,883</b></u>           | <u>58,228</u>           |
|                                      | <b>100,719</b>                 | 161,361                 |
| Portion classified as current assets | <u><b>(85,106)</b></u>         | <u>(131,486)</u>        |
| Non-current portion                  | <u><u><b>15,613</b></u></u>    | <u><u>29,875</u></u>    |

#### **10. Trade and Bills Payables**

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

|   | <b>2011</b><br><b>HK\$'000</b> | 2010<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Not past due                              | <b>84,448</b>                  | 101,126                 |
| Less than 3 months                        | <b>9,509</b>                   | 41,291                  |
| 4 to 6 months past due                    | <b>1,049</b>                   | 362                     |
| 7 to 12 months past due                   | <b>217</b>                     | 284                     |
| Over 1 year past due                      | <u><b>36,384</b></u>           | <u>7,406</u>            |
|   | <b>131,607</b>                 | 150,469                 |
| Portion classified as current liabilities | <u><b>(118,081)</b></u>        | <u>(135,430)</u>        |
| Non-current portion                       | <u><u><b>13,526</b></u></u>    | <u><u>15,039</u></u>    |

## **11. Event after the Reporting Period**

On 14 February 2012, the Company entered into a property transfer agreement with 北京北控宏創科技有限公司, a wholly-owned subsidiary of Beijing Enterprises Holdings Limited (a substantial shareholder of the Company), pursuant to which the Company agreed to purchase a property situated in Mainland China at a cash consideration of RMB32,000,000 (equivalent to HK\$39,507,000). The Group intends to acquire the property for investment purpose and at the same time, to use it as office premises to support the Group's current operations in Beijing which have room for further business expansion. Further details of the acquisition of property are set out in the Company's announcement dated 14 February 2012. At the date of this announcement, the transaction has not been completed and the Company had paid RMB25,600,000 (equivalent to HK\$31,605,000) of the consideration.

## **DIVIDEND**

The Board do not recommend the payment of any dividend in respect of the year (2010: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

Beijing Municipal Administration & Communications Card Co., Ltd. ("BMAC") was the focal development project of the Group in the past. However, as it has failed to generate profit contribution to the Group over the years, whilst its outlook was beyond reliable prediction, 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 RMB96.38 million, generating a one-off net gain after tax of HK\$115.45 million, which has brought along the turnaround in the profits of the Group.

During the year under review, the Group's principle business continued to develop around the core of system integration and IT service.

System integration segment: under intensive industry competition and suppression by "price-cut" bids and increasing material and salary costs, the business continued to shrink with a lowering gross profit margin. However, at the request of the clients, the Group has successfully moved forward the delivery schedule of the two major livelihood projects of safety door project for Line 9 and the automated fare collection system phase II for Line 8 undertaken in phase, which has assured the Group's sound reputation in the core business sector. In respect of non-rail transportation sector, the Group has adhered to tapping new sources and cutting expenses and secured several intellectualisation works and services projects in government departments, banks and enterprises in Beijing Municipal and the peripheral areas during the year.

IT service segment: targeting at the informatisation construction of the Beijing Municipal government and the industry, to provide to the governments and related industries with (1) technical support services for network operating services, access services and network application systems; (2) software development around the four principal businesses of Education Committee of Beijing Municipal, Education Committee of Chaoyang District, Education Authority of Beijing Municipal and Beijing Radio and Television University; (3) government data operating services cored on teacher and student IC card business and CIMS systems.

## **Prospects**

Over the years, the Group has established solid customer relationship in the government sector including rail transportation and education in Beijing Municipal. Against the backdrop of intensive competition and narrowing gross profit margin, the Group will enhance its competitiveness, closely trace the trend of industry construction, and leverage on the effective channel resources with Beijing Municipal government and other partners to strive for cross-region and multi-sector development, with the objectives of maximising the rate of successful bids and optimising the profit margin of the system integration and IT services projects.

Striving to improve its business operation and overall financial results, the Company has always and will continue to review its existing business structure and effort to expand its income sources through proactively identifying potential investment opportunities, in order to enhance the reasonable return to shareholders.

## **Financial Review**

### ***Revenue***

The Group's revenue in 2011 was HK\$185.18 million, dropped 12.5% as compared with HK\$211.64 million in 2010. This was mainly due to increase in the competition in system integration contracts.

### ***Cost of sales***

The Group's cost of sales in 2011 was HK\$158.99 million, dropped 10.0% as compared with HK\$176.75 million in 2010.

### ***Gross profit***

The Group achieved a gross profit of HK\$26.20 million in 2011, dropped 24.9% as compared with HK\$34.89 million in 2010.

### ***Gain on disposal of a jointly-controlled entity***

It represented the gain on disposal (before tax expenses) of BMAC during the year.

### ***Other income, net***

The Group's other income in 2011 amounted to HK\$26.23 million, mainly comprised of the imputed interest on interest-free trade receivables with extended credit periods of HK\$14.68 million and bank interest income of HK\$7.04 million.

### ***Selling and distribution costs***

The Group's selling and distribution costs in 2011 increased by 3.4% to HK\$9.64 million.

### ***Administrative expenses***

Excluding the share option expense of HK\$27.88 million, the Group's administrative expenses increased by 5.6% to HK\$61.57 million as compared with HK\$58.33 million in 2010.

### ***Other expenses, net***

The Group's other expenses in 2011 amounted to HK\$13.36 million, mainly comprised of impairment of goodwill of HK\$10 million.

### ***Finance costs***

The Group's finance costs in 2011 decreased by 34.3% to HK\$4.09 million, which was wholly represented the imputed interest on interest-free trade payables with extended credit periods.

### ***Share of profits and losses of jointly-controlled entities and associates***

During the year under review, the Group's share of net profits of jointly-controlled entities reduced to HK\$0.11 million from HK\$1.56 million in 2010 whilst the Group's share of net losses of associates reduced to HK\$0.52 million from HK\$8.25 million in 2010.

### ***Income tax***

The Group's income tax in 2011 mainly comprised of withholding tax of HK\$6.59 million in relation to the disposal of BMAC and deferred tax expenses of HK\$1.76 million.

### ***Profit for the year***

Based on the foregoing, the profit for the year ended 31 December 2011 was HK\$48.94 million, as compared with the loss of HK\$27.76 million in 2010. The profit attributable to shareholders of the Company was HK\$54.85 million, as compared with the loss of HK\$23.46 million in 2010.

## **Financial Position**

During the year under review, there was no change in the capital structure of the Company. As at the end of 2011, the Group had total assets and total liabilities of HK\$1,041.47 million and HK\$303.33 million, respectively, increased by HK\$116.08 million and HK\$22.11 million as compared with the end of 2010; respectively. The net assets of the Group increased by HK\$93.97 million from HK\$644.17 million to HK\$738.14 million, of which equity attributable to shareholders of the Company amounted to HK\$719.29 million as at the end of 2011.

As at 31 December 2011, the cash and bank balances held by the Group amounted to HK\$717.04 million, which were denominated as to approximately 28% in Hong Kong dollars and 71% in Renminbi. The Group did not have any bank borrowings, nor did it hold any financial derivatives. As at the end of 2011, the Group had a net working capital of HK\$693.79 million and its current ratio and the total liabilities to assets ratio were maintained at 3.86 times and 29.1%, respectively. The Group has sufficient cash resources to finance its current operations.

During the year under review, the Group had capital expenditures of HK\$2.87 million. As at 31 December 2011, the Group had capital commitment of HK\$65.39 million. The Group did not have any material contingent liabilities.

## **Employees**

At the end of 2011, 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 2011 amounted to HK\$71.86 million, which included share option expense of HK\$27.88 million, comparing to employee benefits of HK\$39.83 million in 2010.

## **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 year.

## **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 on Corporate Governance Practices” to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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. Sufficient measures have been taken to ensure that there is efficient communication among the directors.
- (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 year ended 31 December 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 Group's results for the year ended 31 December 2011.

### **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 year ended 31 December 2011, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

### **PUBLICATION OF FINANCIAL INFORMATION**

The Company's 2011 annual 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 to the Group over the past year.

By order of the Board

**E Meng**

*Chairman*

Hong Kong, 26 March 2012

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