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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 2012**

HIGHLIGHTS

- Revenue for the first half of 2012 increased by 11.5% to HK\$50.9 million as compared to the corresponding period of 2011.
- Loss attributable to shareholders of the Company for the first half of 2012 decreased by HK\$29.5 million to HK\$20.8 million as compared to the corresponding period of 2011.
- Loss per share attributable to shareholders of the Company amounted to HK3.08 cents.
- Net assets as at 30 June 2012 amounted to HK\$708.7 million, decreased by HK\$29.4 million as compared to 31 December 2011.
- 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 consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2012, together with comparative figures for the corresponding period of last year as follows:

CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2012

	<i>Notes</i>	Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
		HK\$’000	HK\$’000
REVENUE	4	50,933	45,690
Cost of sales		(43,192)	(43,723)
Gross profit		7,741	1,967
Other income and gain, net	4	14,596	15,316
Selling and distribution costs		(3,708)	(5,308)
Administrative expenses		(31,244)	(56,338)
Other expenses, net		(499)	(335)
Finance costs	5	(3,257)	(4,428)
Share of profits and losses of:			
Jointly-controlled entities		(7,433)	(2,665)
Associates		(4,200)	(3,414)
LOSS BEFORE TAX	6	(28,004)	(55,205)
Income tax	7	(63)	(566)
LOSS FOR THE PERIOD		(28,067)	(55,771)
Attributable to:			
Shareholders of the Company		(20,840)	(50,311)
Non-controlling interests		(7,227)	(5,460)
		(28,067)	(55,771)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
— Basic and diluted (HK cents)	8	(3.08)	(7.43)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(28,067)</u>	<u>(55,771)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange fluctuation reserve:		
Translation of foreign operations	(608)	12,077
Release upon deemed partial disposal of interests in an associate	<u>(758)</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(1,366)</u>	<u>12,077</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(29,433)</u></u>	<u><u>(43,694)</u></u>
Attributable to:		
Shareholders of the Company	(22,206)	(40,720)
Non-controlling interests	<u>(7,227)</u>	<u>(2,974)</u>
	<u><u>(29,433)</u></u>	<u><u>(43,694)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

		30 June	31 December
		2012	2011
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property and equipment		10,002	9,718
Investment properties		45,837	45,837
Intangible assets		2,113	2,496
Investments in jointly-controlled entities		4,240	12,093
Investments in associates		19,325	19,034
Trade receivables	9	8,477	15,613
Prepayment	<i>14(b)(ii)</i>	31,606	—
		<hr/>	<hr/>
Total non-current assets		121,600	104,791
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		23,606	14,702
Amounts due from contract customers		929	909
Trade receivables	9	75,752	85,106
Prepayments, deposits and other receivables		100,428	117,751
Pledged deposits		5,046	1,173
Cash and cash equivalents		644,373	717,035
		<hr/>	<hr/>
Total current assets		850,134	936,676
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	10	68,617	118,081
Amounts due to contract customers		14,898	9,788
Other payables and accruals		117,507	108,256
Income tax payable		6,631	6,762
		<hr/>	<hr/>
Total current liabilities		207,653	242,887
		<hr/>	<hr/>
NET CURRENT ASSETS		642,481	693,789
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		764,081	798,580
		<hr/>	<hr/>

		30 June	31 December
		2012	2011
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Trade payables	<i>10</i>	8,927	13,526
Deferred income		46,448	46,915
		<u>55,375</u>	<u>60,441</u>
Total non-current liabilities		55,375	60,441
Net assets		708,706	738,139
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	<i>11</i>	677,460	677,460
Reserves		19,627	41,833
		<u>697,087</u>	719,293
Non-controlling interests		11,619	18,846
		<u>708,706</u>	<u>738,139</u>
Total equity		708,706	738,139

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2012

Attributable to shareholders of the Company

	Attributable to shareholders of the Company								Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000	
	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
At 1 January 2012	677,460	170,319	9,721	27,882	6,343	77,467	41,738	(291,637)	719,293	18,846	738,139
Loss for the period	—	—	—	—	—	—	—	(20,840)	(20,840)	(7,227)	(28,067)
Other comprehensive loss for the period:											
Exchange fluctuation reserve:											
Translation of foreign operations	—	—	—	—	—	(608)	—	—	(608)	—	(608)
Release upon deemed partial disposal of interests in an associate	—	—	—	—	—	(758)	—	—	(758)	—	(758)
Total comprehensive loss for the period	—	—	—	—	—	(1,366)	—	(20,840)	(22,206)	(7,227)	(29,433)
Transfer to PRC reserve funds	—	—	—	—	—	—	12	(12)	—	—	—
Deemed partial disposal of interests in an associate	—	—	—	—	(1,020)	—	(489)	1,509	—	—	—
At 30 June 2012	677,460	170,319*	9,721*	27,882*	5,323*	76,101*	41,261*	(310,980)*	697,087	11,619	708,706
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:											
Exchange differences on translation of foreign operations	—	—	—	—	—	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

* These reserve accounts comprise the consolidated reserves of HK\$19,627,000 (31 December 2011: HK\$41,833,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(71,228)	(20,375)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	<u>(60,803)</u>	<u>9,281</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(132,031)	(11,094)
Cash and cash equivalents at beginning of period	608,262	392,564
Effect of foreign exchange rate changes, net	<u>—</u>	<u>5,451</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>476,231</u></u>	<u><u>386,921</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	233,175	229,018
Time deposits	416,244	379,639
Less: Pledged deposits	<u>(5,046)</u>	<u>(2,097)</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	644,373	606,560
Less: Time deposits with maturity of more than three months when acquired	<u>(168,142)</u>	<u>(219,639)</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u><u>476,231</u></u>	<u><u>386,921</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 2012 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”) (the “Listing Rules”), 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 2011, except for the adoption of the following amendments to the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, which are generally effective for the first time for the current period’s financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the amended HKFRSs has had no significant financial effect on these interim financial statements and there have been no significant changes to the accounting policies applied in these interim financial statements.

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

<i>Annual Improvements Projects</i>	<i>Annual Improvements 2009 – 2011 Cycle²</i>
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans²</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities²</i>
HKFRS 9	<i>Financial Instruments⁴</i>
HKFRS 10	<i>Consolidated Financial Instruments²</i>
HKFRS 11	<i>Joint Arrangements²</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities²</i>
HKFRS 13	<i>Fair Value Measurement²</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income¹</i>
HKAS 19 (2011)	<i>Employee Benefits²</i>
HKAS 27 (2011)	<i>Separate Financial Statements²</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures²</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities³</i>
HK(IFRIC)–Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine²</i>

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

The directors of the Company anticipate that the adoption of these new, revised and amended HKFRSs will have no material impact on the results and financial position of the Group.

3. Operating Segment Information

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

An analysis of the Group's 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 six months ended 30 June 2012, the Group had transactions with three external customers (six months ended 30 June 2011: one) which contributed to over 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out below:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A	8,962	*
Customer B	6,541	*
Customer C	6,690	5,614
	<u>6,690</u>	<u>5,614</u>

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

4. Revenue and Other Income and Gain, 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; and (2) the value of services rendered, net of business tax, during the period.

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

	<i>Notes</i>	Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue			
Sale of IT related products		21,548	32,770
Maintenance contracts		8,829	4,347
Software development contracts		4,356	6,643
System integration contracts		16,200	1,930
		<u>50,933</u>	<u>45,690</u>
Other income, net			
Bank interest income		5,131	2,469
Imputed interest on interest-free trade receivables with extended credit periods		2,729	12,289
Government grants released	<i>(a)</i>	467	—
Others		412	558
		<u>8,739</u>	<u>15,316</u>
Gain			
Gain on deemed partial disposal of interests in an associate	<i>(b)</i>	5,857	—
		<u>14,596</u>	<u>15,316</u>

Notes:

- (a) Government grants have been received by the Group from a government authority in Mainland China in respect of the fitness card system business carried out by 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.
- (b) The gain on deemed partial disposal of interests in an associate recognised during the period ended 30 June 2012 arose from the dilution of the Group's equity interest in China Information Technology Development Limited ("CITD") from approximately 29.18% to 25.29% upon the issuance of 1,000,000,000 new ordinary shares by CITD in June 2012.

5. Finance Costs

Finance costs of the Group for the six months ended 30 June 2012 and 2011 represented imputed interest on interest-free trade payables with extended credit periods.

6. Loss Before Tax

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Depreciation	1,327	1,470
Amortisation of intangible assets [@]	383	1,579
Impairment of an amount due from an associate [#]	33	30
Reversal of impairment of trade receivables, net [#]	(40)	(1,429)
Equity-settled share option expense	—	27,882
	<u> </u>	<u> </u>

[@] This item is included in "Cost of sales" in the consolidated income statement.

[#] These items are included in "Other expenses, net" in the consolidated income statement.

7. Income Tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2012 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2011: 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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current – Mainland China		
Charge for the period	59	—
Underprovision in prior periods	4	59
Deferred	—	507
	<hr/>	<hr/>
Total tax charge for the period	63	566

The share of tax attributable to associates amounting to HK\$258,000 (six months ended 30 June 2011: HK\$421,000) is included in “Share of profits and losses of associates” in the consolidated income statement.

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 (six months ended 30 June 2011: 677,460,150) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2012 and 2011 as 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.

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 five 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:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Neither past due nor impaired	<u>57,871</u>	<u>68,836</u>
Past due but not impaired:		
Less than 3 months	3,388	18,777
4 to 6 months	7,599	39
7 to 12 months	2,032	10,564
Over 1 year	<u>13,339</u>	<u>2,503</u>
	<u>26,358</u>	<u>31,883</u>
Portion classified as current assets	<u>84,229</u> <u>(75,752)</u>	100,719 <u>(85,106)</u>
Non-current portion	<u>8,477</u>	<u>15,613</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 six years offered by major suppliers.

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Not past due	38,970	84,448
Past due:		
Less than 3 months	3,555	9,509
4 to 6 months	6,868	1,049
7 to 12 months	8,190	217
Over 1 year	<u>19,961</u>	<u>36,384</u>
Portion classified as current liabilities	<u>77,544</u> <u>(68,617)</u>	131,607 <u>(118,081)</u>
Non-current portion	<u>8,927</u>	<u>13,526</u>

11. Share Capital

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
677,460,150 ordinary shares of HK\$1 each	<u>677,460</u>	<u>677,460</u>

There was no movement in the share capital of the Company during the six months ended 30 June 2012 and 2011.

12. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2012 (31 December 2011: Nil).

13. Capital Commitments

At 30 June 2012, the Group had capital commitments as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Contracted, but not provided for:		
Property	<u>7,901</u>	<u>—</u>
Authorised, but not contracted for:		
Property	—	37,667
Equipment	18,800	18,804
Intangible assets	<u>8,919</u>	<u>8,919</u>
	<u>27,719</u>	<u>65,390</u>
	<u>35,620</u>	<u>65,390</u>

In addition to the above commitments, the Group also entered into certain agreements in relation to the investment in renewable power generation project:

- (a) On 30 May 2012, the Company entered into a framework agreement for investment and cooperation in Shanxi domestic garbage incineration-power generation project with 山西國際能源集團有限公司, 北京北控環保工程技術有限公司 (a wholly-owned subsidiary of Beijing Enterprises Holdings Limited (“BEHL”, a substantial shareholder of the Company)) and 山西省環境保護

基金有限公司。Further details of the transaction are set out in the Company's announcement dated 30 May 2012. At the date of this announcement, the concrete investment and cooperation arrangements shall be subject to further negotiations and the legal documents to be entered into by the relevant parties; and

- (b) On 28 June 2012, Beijing Development Environmental Protection (Haidian) Limited (“BDEP Haidian”), a wholly-owned subsidiary of the Company, entered into an increase of capital contract (the “Increase of Capital Contract”) with 北京市海澱區國有資本經營管理中心, 北京中海投資管理公司, 北京海融達投資建設有限公司 and 北京市海澱區國有資產投資經營有限公司 for injecting capital into 北京綠海能環保有限責任公司 (the “Joint Venture”) for investing, constructing and operating renewable energy power generation projects in Beijing, the PRC. Pursuant to the Increase of Capital Contract, BDEP Haidian will (i) inject RMB256,000,000 (equivalent to approximately HK\$314,000,000) to the Joint Venture as an additional registered capital of the Joint Venture; (ii) inject a maximum amount of RMB27,550,000 (equivalent to approximately HK\$33,810,000) as an equity premium of the Joint Venture and (iii) make available shareholder's loans of a total aggregate amount of RMB644,000,000 (equivalent to approximately HK\$790,000,000) to the Joint Venture. This transaction constitutes a very substantial acquisition of the Company and is subject to the shareholders' approval requirements under Chapter 14 of the Listing Rules. Further details of the transaction are set out in the Company's announcement dated 28 June 2012. At the date of this announcement, this transaction has not yet been completed and is subject to, inter alia, the shareholders' approval of the Company.

14. Related Party Disclosures

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
With a jointly-controlled entity:		
Sales of products to a jointly-controlled entity	—	415
Purchase of goods from a jointly-controlled entity	—	4,406
With an associate:		
Purchase of goods from an associate	3,428	10,491
Sub-contracting fee paid to an associate	—	3,157
With a non-controlling equity holder:		
Sales of products to a non-controlling equity holder	4,221	—
Service income received from a non-controlling equity holder	2,469	—
With other related companies:		
Purchase of goods from a related company (note 14(b)(iii))	1,483	—
Rental expenses paid to a related company	150	—
	1,633	13,653

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

(b) Other transactions with related parties:

- (i) On 15 September 2011, 25 October 2011 and 29 March 2012, the Company, BEHL (as guarantor) and Idata Finance Trading Limited (the “Subscriber”), a wholly-owned subsidiary of BEHL, entered into a subscription agreement, a supplemental agreement and a further supplemental agreement, respectively (collectively, the “Subscription Agreements”), and pursuant to which (i) the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for 177,000,000 new ordinary shares of the Company at a price of HK\$1.13 per share; (ii) the Company conditionally agreed to issue and the Subscriber conditionally agreed to purchase convertible bonds of the Company with an aggregate principal of HK\$300,580,000; and (iii) the Company conditionally agreed to issue and the Subscriber conditionally agreed to purchase standby convertible bonds with an aggregate principal of HK\$3,000,150,000 to the Subscriber. The entering into of the Subscription Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. Further details of the Subscription Agreements are set out in the Company’s announcements dated 15 September 2011, 25 October 2011 and 29 March 2012. At the date of this announcement, the Subscription Agreements has not yet been completed and is subject to, inter alia, approvals from the Stock Exchange and the independent shareholders of the Company.
- (ii) 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 BEHL, pursuant to which the Company agreed to purchase a property situated in Mainland China at a cash consideration of RMB32,000,000 (equivalent to approximately HK\$39,507,000). As at 30 June 2012, the Company had prepaid RMB25,600,000 (equivalent to approximately HK\$31,606,000), which is classified as a non-current asset in the consolidated statement of financial position. The Group intends to acquire the property partially for investment purpose and partially as office premises to support the Group’s current and future operations in Beijing. This transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements and is exempted from the independent shareholders’ approval requirement under the Listing Rules. Further details of this transaction are set out in the Company’s announcement dated 14 February 2012. At the date of this announcement, this transaction has not yet been completed.
- (iii) On 30 March 2012, the Company entered into a framework agreement (the “Framework Agreement”) with 北京市政交通一卡通有限公司 (“BMAC”), which is held as to 43% by 北京控股集團有限公司 (a substantial shareholder of the Company), regarding the supplies of merchandise and related services of municipal administration and communications card, namely “一卡通”, to the Group. The transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements and is exempted from the independent shareholders’ approval requirement under the Listing Rules. Further details of the Framework Agreement are set out in the Company’s announcement dated 30 March 2012. During the six months ended 30 June 2012, the Group purchased merchandise and related services in the amounts of HK\$1,483,000 from BMAC. The directors considered that the purchases were made in accordance with the Framework Agreement.

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade receivables from:		
An associate	—	1,007
A non-controlling equity holder	4,748	6,600
Other receivables from:		
A jointly-controlled entity	—	370
Non-controlling equity holders	2,369	2,369
A substantial shareholder	47,595	83,291
A related company	334	190
Prepayment to:		
A related company (<i>note 14(b)(ii)</i>)	31,606	—
Trade payables to:		
Associates	4,394	5,074
A related company	—	2,431
Other payables to:		
A jointly-controlled entity	—	12
Associates	3,325	3,692
A non-controlling shareholder	20,000	20,000

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

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	2,117	2,460
Post-employment benefits	135	151
Equity-settled share option expense	—	26,004
Total compensation paid to key management personnel	2,252	28,615

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the period under business review, on the basis of the successful implementation of its existing rail transportation projects and educational information-based industry projects, the Group strived to develop its intelligent building construction business, and commenced a new outsourcing service of maintenance. As a result, it recorded growths in both operating revenue and gross profit, and a significant decrease in loss for the period. However, the Group's continuing operations failed to deliver reasonable returns to the shareholders after years of operation and development due to their weak earnings base and limited asset size.

After completion of the disposal of its equity interest in Beijing Municipal Administration & Communications Card Co., Ltd. last year, the Group has made great efforts in reviewing its existing business structure, and obtained the financial support from Beijing Enterprises Holdings Limited ("BEHL"), its parent company. The Company and BEHL entered into the Subscription Agreement¹, pursuant to which, BEHL conditionally agreed to subscribe for the new shares, convertible bonds and standby convertible bonds of the Company at the aggregate subscription amount of HK\$3.5 billion. Subject to approval by vote at the general meeting to be convened, the transaction will help the Group build a stronger business foundation, broaden its source of income and improve its overall financial results through proactively identifying potential investment opportunities.

The challenges associated with increasing demand for energy, sustainable development and the increased environmental concern have led the PRC government to pay greater attention to environmental protection and energy issues. As the urban standard of living in China continues to improve and the economy continues to grow, the volume of municipal waste will increase steadily. Encompassing the characteristics of energy-saving and environmental friendly power generation as well as new energy power generation, garbage incineration-power generation is a dominant way for garbage treatment that captures an enormous market with vast prospects and delivers good social efficiency. Accordingly, with substantial support and great attention from the state and local governments, subsidies and preferential tax treatments and stable on-grid tariffs, the Company believes that garbage power generation projects have promising growth prospects with growth potential in terms of scale and stability in terms of revenue. Under the full support of its parent company which enjoys competitive advantages and after making ample consideration, the Company will enter the environmental protection industry, and secure and explore platforms of suitable business opportunities in the fields of garbage incineration-power generation and waste treatment in the future.

On 28 June 2012, the Company entered into the Increase of Capital Contract² in relation to the proposed formation of an equity joint venture for investing, constructing and operating the Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Plant Project. The project is estimated to have a total investment amount of approximately RMB1,534 million and a capacity of processing wastes of 2,500 tons per day. In addition, on 30 May 2012, the Company entered into the Framework Agreement³ to establish long-term strategic cooperation partnership on Shanxi Domestic Garbage Incineration-Power Generation Project with the investment partners.

In the development of the garbage power-incineration project, the Company will consistently adhere to the development strategy focused on economic benefits with scrupulous and conscientious selection for the project. Rapid development will be based on the prerequisite of securing the rate of return. Upon establishment of a reasonable scale, the Company may achieve sizeable economies of scale by lowering the average construction and operating costs through sharing of research and development technologies and management resources amongst different projects. Also, rich project operating results and project experience will significantly enhance the capacity of project undertaking of an enterprise. The Company will continuously strive for attaining these competitive advantages through internal development and external acquisitions.

¹ For details, please refer to the announcements of the Company dated 15 September 2011 and 25 October 2011

² For details, please refer to the announcement of the Company dated 28 June 2012

³ For details, please refer to the announcement of the Company dated 30 May 2012

FINANCIAL REVIEW

Revenue

The Group's revenue in the first half of 2012 was HK\$50,933,000, increased by 11.5% as compared with HK\$45,690,000 in the first half of 2011. This was mainly caused by the increase in the IT maintenance contracts carried out by the Group.

Cost of Sales

The Group's cost of sales in the first half of 2012 was HK\$43,192,000, dropped by 1.2% as compared with HK\$43,723,000 in the first half of 2011.

Gross Profit

The Group's gross profit in the first half of 2012 was HK\$7,741,000, and the overall gross profit margin increased from 4.3% to 15.2% in the first half of 2011. It was mainly due to the increase in the IT maintenance contracts with higher margin.

Other Income and Gain, Net

The Group's other income and gain in the first half of 2012 amounted to HK\$14,596,000 (first half of 2011: HK\$15,316,000), which mainly comprised gain on deemed partial disposal of interests in CITD, an associate of the Group, of HK\$5,857,000, bank interest income of HK\$5,131,000 and imputed interest on interest-free trade receivables with extended credit periods of HK\$2,729,000.

Selling and Distribution Costs

The Group's selling and distribution costs in the first half of 2012 decreased by 30.1% to HK\$3,708,000.

Administrative Expenses

The Group's administrative expenses in the first half of 2012 was HK\$31,244,000, represented an increase of 9.8% from HK\$28,456,000 (net of share option expenses of HK\$27,882,000) in the corresponding period of last year.

Other Expenses, Net

The Group's other expenses in the first half of 2012 amounted to HK\$499,000 (first half of 2011: HK\$335,000).

Finance Costs

The Group's finance costs of HK\$3,257,000 (first half of 2011: HK\$4,428,000) in the first half of 2012 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 2012 wholly represented its 50% share of net loss of Beijing Education Information Network Services Center Co., Ltd. of HK\$7,433,000 (first half of 2011: HK\$2,665,000).

Share of Profits and Losses of Associates

The Group's share of results of associates in the first half of 2012 substantially represented its 29.18% share of net loss of CITD of HK\$4,234,000 (first half of 2011: HK\$3,473,000).

Income Tax

The Group's income tax in the first half of 2012 amounted HK\$63,000 (first half of 2011: HK\$566,000).

Loss for the Period

The Group's loss for the six months ended 30 June 2012 was HK\$28,067,000, decreased by HK\$27,704,000 or 49.7% as compared with the loss of HK\$55,771,000 in the corresponding period of last year. The loss attributable to shareholders of the Company was HK\$20,840,000, decreased by HK\$29,471,000 or 58.6% as compared with the loss of HK\$50,311,000 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 2012, the Group had total assets and total liabilities of HK\$971,734,000 and HK\$263,028,000, respectively, decreased by HK\$69,733,000 and HK\$40,300,000, respectively, as compared with 31 December 2011. The Group's net assets decreased by HK\$29,433,000 to HK\$708,706,000, of which equity attributable to shareholders of the Company amounted to HK\$697,087,000 as at 30 June 2012.

As at 30 June 2012, the cash and bank balances held by the Group amounted to HK\$649,419,000, 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 2012, the Group had a net working capital of HK\$642,481,000 and its current ratio and the total liabilities to assets ratio were 4.09 times and 27.1%, respectively.

During the period under review, the Group had capital expenditures of HK\$33,283,000. As at 30 June 2012, excluding the potential investment in the environmental protection business, the Group's capital commitment amounted to HK\$35,620,000. The Group did not have any material contingent liabilities.

EMPLOYEES

As at 30 June 2012, the Group had approximately 320 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 2012 amounted to HK\$23,806,000, comparing to HK\$21,174,000 (net of share option expenses) in the first half of 2011.

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 2012.

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, save as disclosed below, the Company has complied with the code provisions of the “Code on Corporate Governance Practices” (effective until 31 March 2012) and the revised code provisions of the “Corporate Governance Code” (effective from 31 March 2012) as set out in Appendix 14 to the Listing Rules throughout the period under review.

- (1) Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the existing non-executive directors of the Company are not appointed for a specific term but subject to the retirement by rotation at the annual general meeting in accordance with the Company’s articles of association.
- (2) Under the code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, the three independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 25 May 2012 (the “2012 AGM”) due to other business engagements.
- (3) Under the code provision E.1.2, the chairman of the Board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration and nomination committees to attend. However, the chairman of the Board was unable to attend the 2012 AGM and has appointed an executive director and the president of the Company to chair the meeting on his behalf. The chairmen of the audit, remuneration and nomination committees were also unable to attend the 2012 AGM and have appointed the company secretary of the Company to attend the meeting and to answer questions at the meeting.

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 2012.

Audit Committee

The Audit Committee was established with written terms of reference in accordance with rule 3.21 and code provision in paragraph C.3 of Appendix 14 of the Listing Rules. The current members of the Audit Committee comprise three independent non-executive directors of the Company, namely Dr. Huan Guocang (Committee Chairman), Dr. Jin Lizuo and Dr. Wang Jianping.

The role and function of the Audit Committee include (i) maintenance of the relationship with the Company's auditors; (ii) review of the Company's financial information; and (iii) oversight of the Company's financial reporting system and internal control procedures. Detailed terms of reference of the Audit Committee may be reference to the websites of the Company (www.bdhk.com.hk) and the Stock Exchange (www.hkexnews.hk).

The Audit Committee has reviewed the unaudited condensed consolidated financial statement of the Group for the six months ended 30 June 2012.

Remuneration Committee

The Remuneration Committee was established with terms of reference in accordance with rule 3.25 and code provision in paragraph B.1 of Appendix 14 of the Listing Rules. The current members of the Remuneration Committee comprise three independent non-executive directors of the Company, namely Dr. Jin Lizuo (Committee Chairman), Dr. Huan Guocang and Dr. Wang Jianping and the chairman of the Board, Mr. E Meng.

The role and function of the Remuneration Committee include make recommendations to the Board on (i) the Company's remuneration policy and structure; and (ii) the remuneration packages of individual executive directors and senior management. Detailed terms of reference of the Remuneration Committee may be reference to the websites of the Company and the Stock Exchange.

Nomination Committee

The Nomination Committee was established in March 2012 with terms of reference in accordance with code provision in paragraph A.5 of Appendix 14 of the Listing Rules. The current members of the Nomination Committee comprise the chairman of the Board, Mr. E Meng (Committee Chairman), and three independent non-executive directors of the Company, namely Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping.

The role and function of the Nomination Committee include (i) review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive directors; and (iv) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. Detailed terms of reference of the Nomination Committee may be reference to the websites of the Company and the Stock Exchange.

Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. The Company convened meeting periodically to discuss financial, operational and risk management control. During the six months ended 30 June 2012, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2012 interim report containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

By order of the Board

E Meng

Chairman

Hong Kong, 29 August 2012

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.