Beijing Development (Hong Kong) Limited

(Stock Code 154)

2013
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive directors:
Mr. E Meng *(Chairman)*
Mr. Zhang Honghai
Mr. Ke Jian *(Vice Chairman)*
Mr. Wang Yong *(President)*
Ms. Sha Ning *(Vice President)*
Ms. Qin Xuemin *(Vice President)*
Mr. Ng Kong Fat, Brian

Independent non-executive directors:
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping
Prof. Nie Yongfeng

Audit Committee

Dr. Huan Guocang *(Chairman)*
Dr. Jin Lizuo
Dr. Wang Jianping

Remuneration Committee

Dr. Jin Lizuo *(Chairman)*
Mr. E Meng
Dr. Huan Guocang
Dr. Wang Jianping

Nomination Committee

Mr. E Meng *(Chairman)*
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping

Company Secretary

Mr. Wong Kwok Wai, Robin

Authorised Representatives

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

Registered Office

66th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Website

http://www.bdhk.com.hk

Stock Code

154

Share Registrars

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditors

Ernst & Young

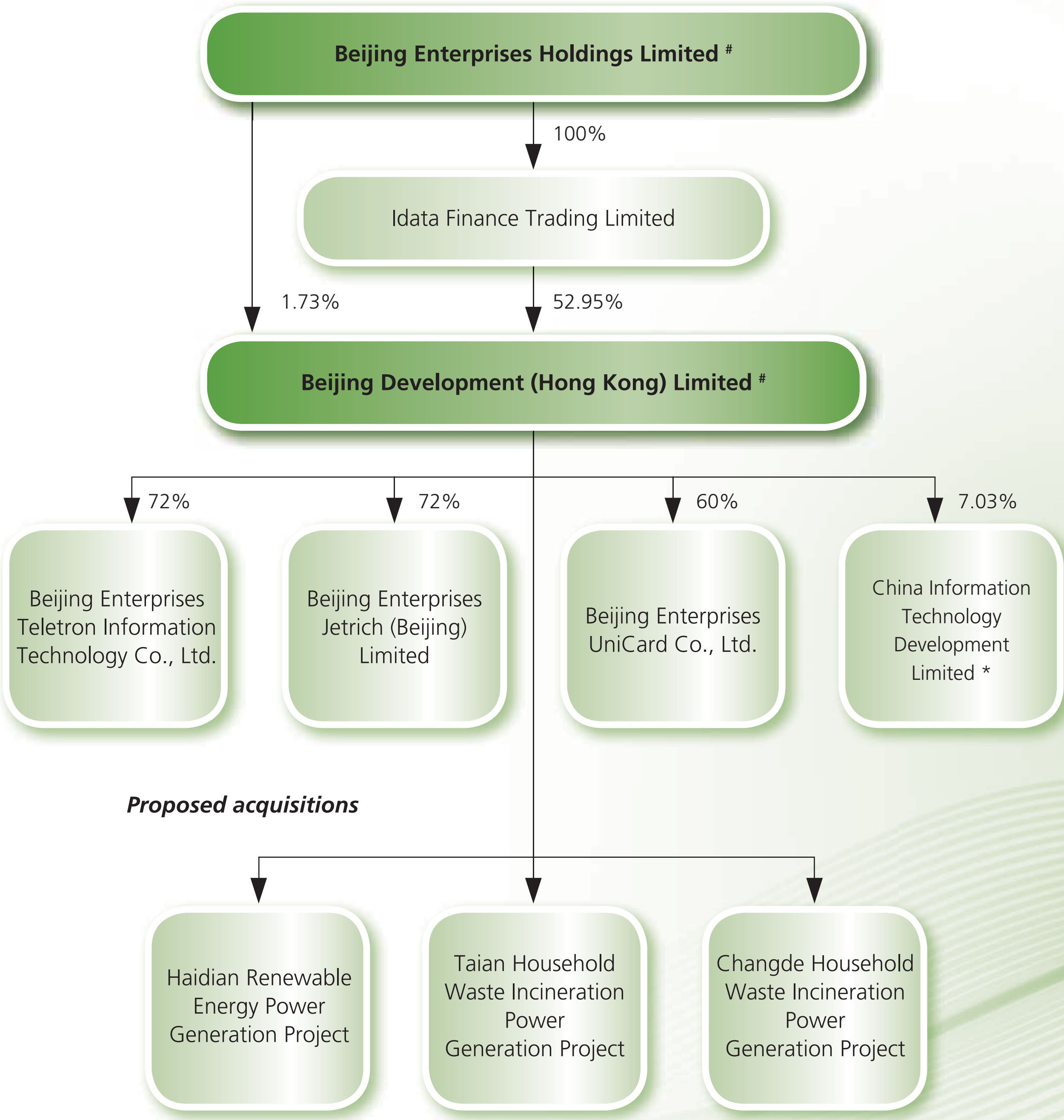
Principal Bankers

In Hong Kong:
Bank of China (Hong Kong)

In Mainland China:
Bank of Beijing
Bank of China
China Construction Bank
China Minsheng Bank
Huaxia Bank
The Industrial and Commercial Bank of China
Industrial Bank

CORPORATE STRUCTURE

28 March 2014



Listed on the Main Board of The Stock Exchange of Hong Kong Limited
* Listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

CHAIRMAN'S STATEMENT

Provision of information technology related services has been the principal business segment of the Group over the past decade. Despite years of operation and development, the businesses of the Group are shrinking and had been continuously operating at loss for the recent years. The Board considers that in absence of a timely transition, the Group's loss-making position will continue and it will be difficult to deliver value to the shareholders. To build a stronger business foundation, broaden the source of income and improve the overall financial results of the Group, the Company has been exploring all business opportunities including the environmental protection business sector.

Under the rapid development of the environmental protection industry worldwide and in the PRC, with increasing waste generation and as waste incineration power generation becomes the most optimal waste treatment method, the waste incineration power generation industry in the PRC has enormous room for market development. The waste incineration power generation possesses optimistic prospects and its profitability is guaranteed by the standardisation of on-grid electricity tariff pricing policy, provisions of waste treatment subsidy and preferential tax treatment. With the operating characteristics and advantages such as steady cash flow, high growth as well as stable and reliable returns, the Board believes that the strategic transformation and development in waste incineration power generation will improve the Group's financial performance, bring benefits and return to the shareholders.

The parent company of the Group, Beijing Enterprises Holdings Limited ("Beijing Enterprises"), has accumulated extensive first-hand experiences from its track record of operating in the utilities and environmental protection sector, including sewage and solid waste treatment. Beijing Enterprises also has successful experience in assisting the business transformation of Beijing Enterprises Water Group Limited into a leading national water company in the PRC. In addition to the technical support, Beijing Enterprises is prepared to provide a huge amount of financial support to assist the Company in transforming its business. Reference is made to the circular dated 21 December 2012 of the Company, which disclosed that Beijing Enterprises agreed to subscribe for new shares, convertible bonds and standby convertible bonds at an aggregate consideration of HK$3.5 billion, of which HK$500 million has been initially injected into the Company in February 2013.

In order to accelerate the strategic transformation, establish business capability in participating in the waste incineration power generation sector, the Company has announced that it has entered into agreements in relation to the proposed acquisitions of certain waste incineration power generation projects in the PRC, namely Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Project (in construction stage) in June 2012 and Taian Household Waste Incineration Power Generation Project and Changde Household Waste Incineration Power Generation Project in Shandong and Hunan (in commercial operation stage) in February 2014. Upon the completion of the proposed acquisitions, the Group will have a daily waste treatment capacity of 4,500 tonnes.

The Company has the intention and is under negotiations to acquire new business and is also actively exploring other new business opportunities through organic growth and strategic acquisitions to swiftly capture market share in the waste-to-energy sector in the PRC, and to become the largest and the most valuable waste incineration power generation player in the PRC, thereby creating value for the shareholders.

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 difficult years and looking forward all shareholders will benefit from the result of the Group's business transformation in the future.

E Meng
Chairman

Hong Kong
28 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the year under review, in order to improve the operating results and enhance the competitive edge, the Group has continuously exploring new business lines, new profit models and new market resources with its existing information technology business. In system integration sector, the Group has secured the successful implementation of its existing Beijing subway projects, namely the Automated Fare Collection System Phase II for Line 8 and the Passenger Information System Phase II for Line 10. The new outsourcing services have been operating smoothly, and the 12333 Hotline Calling Centre of Beijing Municipal Human Resources and Social Security Bureau has commenced operation officially. Besides, the Group has preliminarily constructed a supply platform for spare parts in response to the huge operating demands for the mechanical and electrical system of the subway, which will become another spotlight to the system integration business. In information technology services sector, the Group has been continuing to focus in providing stable network operation, software development, education smartcard operation and data operation services for the education sector in Beijing. Over the year, the Group has improved its overall gross profit margin and cash inflow from operating activities.

The Group has committed to commence its strategic transformation to enter the waste incineration power generation industry through restructuring its existing business portfolio and investing in environmental protection and waste-to-energy industry.

In June 2012, the Group has announced its proposed capital injection into a joint venture for investing, constructing and operating the Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Project (the "Haidian Project"). The Haidian Project is a remarkable waste incineration power generation project under construction in Beijing and has a daily waste treatment capacity of 2,500 tonnes. During the pre-acquisition period, the Group is at present negotiating the transaction structure, the major operation terms during the operation period, including the waste treatment fee, the guaranteed level of waste supply and the on-grid tariff for waste-generated power, and any other terms and conditions with the relevant government authorities in Beijing. The Board is pleased to present details of the proposed investment in the Haidian Project for the shareholders' approval in due course.

In September 2012, the Group has announced that it has entered into a framework agreement in respect of its possible acquisition of the equity interest in Green Energy Holding Company Limited, which has investment in and operates 15 waste incineration power generation projects in the PRC. However, after the prolonged and extensive due diligence review work done, the negotiation has been failed eventually and the Group has announced the termination of the framework agreement with effect from December 2013.

The Board considers that the participation into the waste incineration power generation industry is the right decision to deliver value to the shareholders of the Company, though the path of successful strategic transformation is meandering and circuitous.

In February 2014, the Group has further announced that it has entered into a sale and purchase agreement in respect of its possible acquisition of entire interests in Taian Household Waste Incineration Power Generation Project and Changde Household Waste Incineration Power Generation Project in Shandong and Hunan, respectively, at an aggregate consideration of RMB520 million. The consideration will be satisfied as to RMB86.79 million in cash and as to RMB433.21 million by the issue of consideration shares. Both projects are in business operation and have aggregated daily waste treatment capacity of 2,000 tonnes. Details of the possible acquisition may be referenced to the circular of the Company dated 27 March 2014. The Board considers that the possible acquisition represents a golden opportunity to the Group to establish an immediate presence in environmental protection and waste-to-energy industry in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Financial Review

Revenue

Provision of information technology related services in Mainland China is a single reportable operating segment of the Group. The Group's revenue in 2013 was HK$193.07 million, decreased by 7.4% as compared with HK$208.39 million in 2012. This was mainly due to the decrease in revenue generated from system integration contracts during the year.

Cost of sales

The Group's cost of sales in 2013 was HK$156.17 million, decreased by 16.9% as compared with HK$187.86 million in 2012.

Gross profit

The Group recorded a gross profit of HK$36.89 million in 2013, increased by 79.7% as compared with HK$20.53 million in 2012. The overall gross profit margin increased from 9.9% to 19.11%. The increase was mainly due to the increase in proportion of maintenance contracts which contributed higher profit margins.

Other income and gains, net

The Group's other income and gains, net in 2013 amounted to HK$17.85 million (2012: HK$31.99 million), mainly comprised of bank interest income of HK$12.37 million and gain on disposal of the entire equity interests in a subsidiary, Alison Development Limited ("Alison"), of HK$1.54 million. Gains on deemed partial disposals of interests in an associate, China Information Technology Development Limited ("CITD"), of HK$9.59 million was recorded in 2012.

Selling and distribution expenses

The Group's selling and distribution expenses in 2013 increased by 11.0% to HK$6.57 million, as compared with HK$5.92 million in 2012.

Administrative expenses

The Group's administrative expenses in 2013 increased by 0.4% to HK$65.44 million, as compared with HK$65.17 million in 2012.

Other operating expenses, net

The Group's other operating expenses in 2013 amounted to HK$6.24 million (2012: HK$1.15 million), mainly comprised of impairment of trade and other receivables of HK$5.83 million in aggregate.

Finance costs

The Group's finance costs in 2013 amounted to HK$8.12 million (2012: HK$4.51 million), mainly comprised of the coupon and the imputed interest on the convertible bonds issued during the year of HK$2.53 million and HK$5.12 million, respectively.

Share of profits and losses of a joint venture

The Group's 50% share of net loss of a joint venture, Beijing Education Information Network Services Center Co., Ltd., in 2013 amounted to HK$0.29 million (2012: net profit of HK$0.68 million).

Share of profits and losses of associates

The Group's share of net profit of associates of HK$2.77 million in 2013 (2012: net loss of HK$2.96 million) substantially represented its 21.1% share of net profit (including a gain on disposal of its subsidiaries) of CITD of HK$2.73 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Financial Review *(continued)*

Loss and total comprehensive loss for the year

The loss for the year ended 31 December 2013 was HK$29.11 million, increased by HK$2.46 million or 9.2% as compared with the loss of HK$26.65 million in 2012. The loss attributable to shareholders of the Company for the year ended 31 December 2013 was HK$24.48 million, increased by HK$5.65 million or 30.0% as compared with the loss of HK$18.83 million in 2012.

The other comprehensive income for the year ended 31 December 2013 amounted to HK$16.08 million (2012: loss of HK$1.72 million), mainly comprised of exchange fluctuation reserve on translation of foreign operations. The total comprehensive loss for the year ended 31 December 2013 was HK$13.03 million, decreased by HK$15.34 million as compared with the loss of HK$28.37 million in 2012. The total comprehensive loss attributable to shareholders of the Company for the year ended 31 December 2013 was HK$10.29 million, decreased by HK$10.27 million as compared with the loss of HK$20.56 million in 2012.

Financial Position

During the year ended 31 December 2013, the authorised share capital of the Company has increased by HK$4 billion to HK$5 billion and the issued share capital has increased by HK$177.50 million to HK$854.96 million as a result of (i) the subscription by its holding company of 177,000,000 new shares at HK$1.13 per share; and (ii) the exercise of 500,000 share options by its employee.

Saved for the disposal of the entire equity interests in Alison, with its sole investment in 59.5% equity interest of 北京北控文化體育有限公司, to an indirectly wholly-owned subsidiary of Beijing Enterprises Group Company Limited, at a cash consideration of HK$8.50 million, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2013.

As at 31 December 2013, the Group had total assets and total liabilities of HK$1,431.88 million and HK$502.82 million, respectively, increased by HK$466.35 million and HK$252.47 million, respectively, as compared with 31 December 2012. The net assets of the Group increased by HK$213.88 million from HK$715.18 million to HK$929.06 million, of which equity attributable to shareholders of the Company amounted to HK$921.33 million as at 31 December 2013.

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funds. The Group finances its daily operations of the existing business primarily with internally generated cash flow and existing banking facilities. When the Group comes across with acquisition or investment opportunities, the Group will first utilise the internal funding and arrange for project finance from financial institutions. Depending on its investment needs, the Group may also consider raising fund from the shareholders and potential investors of the Company and will comply with the applicable requirements under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as may be required.

As at 31 December 2013, the cash and bank balances held by the Group amounted to HK$1,177.19 million, of which HK$3.20 million were pledged as tender deposits to secure certain system integration contracts of the Group. The Group has no further charge on its assets as at 31 December 2013. During the year ended 31 December 2013, the Company has issued convertible bonds of an aggregate principal amount of HK$300.58 million and an initial conversion price of HK$1.13 per share to its holding company for financing its potential investment in waste incineration power generation projects. The convertible bonds bear interest at 1% per annum and maturity of five years. Except for the convertible bonds, the Group did not have any bank borrowings, nor did it hold any financial derivatives. As at 31 December 2013, the Group had a net current assets of HK$1,069.72 million and its current ratio was increased from 4.22 times to 5.79 times and total liabilities to assets ratio was increased from 25.9% to 35.1%.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Financial Position *(continued)*

The Group's cash and bank balances were denominated as to 64% in Hong Kong dollars and 36% in Renminbi. The Group's businesses are principally located in Mainland China and the majority of its transactions are conducted in Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, the Group will be subject to translational foreign exchange risk. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss and the gains or losses arising on retranslation of foreign operations are recognised in the exchange fluctuation reserve. During the year ended 31 December 2013, the Group did not enter into any foreign currencies hedging arrangements.

During the year ended 31 December 2013, the Group had capital expenditures for acquisition of equipment and intangible assets of HK$2.7 million. As at 31 December 2013, save as the potential investment in waste incineration power generation projects, the Group had capital commitment of HK$8.2 million for the balance payment of a property. The Group did not have any material contingent liabilities.

Employees

As at 31 December 2013, the Group had approximately 240 employees. As compared with approximately 330 employees as at 31 December 2012, the reduction was mainly caused by the disposal of Alison during the year. The Group's total expenses on employee benefits in 2013 amounted to HK$43.45 million, decreased by 5.1% as compared with HK$45.79 million in 2012. 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. The Group encourages and finances its employees to attend training courses in the fields of their job responsibilities. Discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

The Company has operated a share option scheme for the Group's employees and directors. Except for 500,000 share options were exercised, no share option was granted, exercised, forfeited or lapsed during the year ended 31 December 2013. As at 31 December 2013, the Company had 50,920,000 share options outstanding, which were granted on 21 June 2011 at an exercise price of HK$1.25 per share and represented 6.0% of the Company's ordinary shares in issue at the date of approving these financial statements.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. E Meng, aged 55, is the chairman of the Company and also serves as the vice general manager and the chief financial officer of Beijing Enterprises Group Company Limited, an executive director and the executive vice president of Beijing Enterprises Holdings Limited ("BEHL", stock code: 392), the vice chairman and an executive director of Beijing Enterprises Water Group Limited ("BE Water Group", stock code: 371) and an independent non-executive director of JLF Investment Company Limited (stock code: 472). Mr. E graduated from China Science and Technology University with a master degree in engineering. He is a PRC senior accountant with the qualifications of PRC certified accountant, asset appraiser, certified real estate appraiser and tax appraiser. From 1988 to 1997, he was the deputy director of Beijing New Technology Development Zone and concurrently acting as the director of the Department of Financial Auditing, the general manager of Investment Operation Company, the chief accountant of Beijing Tianping Accounting Firm and the deputy director of the State-owned Assets Management Office of Beijing Haidian District. Mr. E has extensive experience in economics, finance and enterprise management. Mr. E joined the Group in April 2001.

Mr. ZHANG Honghai, aged 61, also serves as the vice chairman and an executive director of BEHL, the chairman and an executive director of BE Water Group and the chairman and an executive director of BEP International Holdings Limited (stock code: 2326). Mr. Zhang graduated from Peking University in 1982 and subsequently completed a postgraduate programme at the International Business School of Hunan University and was awarded a master degree and the title of senior economist. Mr. Zhang also obtained an EMBA degree from Guanghua School of Management, Peking University. Mr. Zhang has worked for the Beijing Municipal Government for many years. Prior to joining the Company, Mr. Zhang was the director of the Foreign Affairs Office of the People's Government of Beijing Municipality and Hong Kong and Macao Affairs Office of the People's Government of Beijing Municipality. Mr. Zhang currently is the vice president of the Beijing Chinese Overseas Friendship Association. Mr. Zhang initially worked as deputy general manager and was then promoted to vice chairman and general manager of Beijing International Trust Investment Limited during the period from 1990 to 1998, and has accumulated extensive experience in corporate management. Mr. Zhang joined the Group in March 2004.

Mr. KE Jian, aged 45, is the vice chairman of the Company and also serves as a vice president of BEHL, an executive director of BE Water Group and the chairman of Beijing Enterprises Environmental Group Limited. Mr. Ke is a PRC Senior Accountant, Certified Tax Agent and Senior International Finance Manager and obtained a bachelor's degree in economics from Beijing College of Finance and Commerce. Mr. Ke has accumulated extensive experience in finance and corporate management. Mr. Ke joined the Group in August 2013.

Mr. WANG Yong, aged 60, is the president of the Company. Mr. Wang graduated from the Chinese Faculty of Lanzhou University. From 1969 to 1989, Mr. Wang worked for the Chinese People's Liberation Army (Force 84501). From 1989 to 1993, Mr. Wang worked for the Office of Beijing Haidian District Government. From 1993 to 1998, Mr. Wang served as the secretary to the General Office of Beijing People's Municipal Government. Since 1998, Mr. Wang has been the assistant to general manager of Beijing Holdings Limited ("BHL") and the assistant president of BEHL. Mr. Wang has extensive experience in investment, corporate finance and management. Mr. Wang joined the Group in March 2005.

Ms. SHA Ning, aged 43, is a vice president of the Company and also serves as an assistant president and the manager of finance department of BEHL. Ms. Sha graduated from the Business Faculty of Heilongjiang University in 1992, majored in Business and Economic Studies, and holds a second degree in Foreign Trade Accounting in Beijing School of Business and Capital University of Economics and Business, an EMBA degree from The Hong Kong University of Science and Technology and the title of PRC Senior Accountant. Ms. Sha joined BEHL in 2001 and has extensive working experience in financial management. From 2001 to 2008, Ms. Sha has been assigned as the financial controller of certain subsidiaries of BEHL. Ms. Sha joined the Group in March 2009.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

Executive Directors *(continued)*

Ms. QIN Xuemin, aged 55, is a vice president of the Company and also serves as an assistant president of BEHL, the general manager of Beijing Beikong Hongchuang Technology Co., Ltd. and Beijing Beikong New Energy Technology Development Co., Ltd. Ms. Qin is an Associate Research Fellow and obtained a master's degree from the Beijing Institute of Technology. Ms. Qin has been the head of the Office of State-Owned Assets Investment Business Company and the vice chairman of the Administration Office for State-Owned Assets at the Beijing New Technology Industrial Development Test Zone. Ms. Qin has joined BEHL since July 2000 and has been the deputy general manager of Beijing Enterprises Holdings High-Tech Development Co., Ltd., a non-executive director (resigned in January 2011) of Biosino Bio-Technology and Science Incorporation (stock code: 8247). Ms. Qin has accumulated extensive experience in building construction and corporate management. Ms. Qin joined the Group in August 2013.

Mr. NG Kong Fat, Brian, aged 58, graduated from the University of Stirling in Scotland in 1983 and is a member of the Institute of Chartered Accountants of Scotland. Mr. Ng has extensive experience in corporate, investment and financial management. Mr. Ng joined the Group in July 1993.

Independent Non-executive Directors

Dr. JIN Lizuo, aged 56, holds a doctorate degree in Economics from Oxford University and has been the chief councillor of Shanghai Institute of Law & Economics, the chairman of Zhonghe Yingtai Management Consultancy Co., Ltd., the specialist committee member of China Xinda Assets Management Corporation. Dr. Jin graduated from Peking University School of Economics in 1982 and has been teaching in the university. From 1983 to 1988, Dr. Jin served as the member of State Economic Structure Reforms Committee and was the First President (1988-89) of Chinese Economic Association (UK). From 1993 to 1995, Dr. Jin has worked for N.M. Rothschild and Morgan Stanley and thereafter accumulated extensive experience in investment banking and financial management. Dr. Jin has retired as an independent non-executive director of Huabao International Holdings Limited (stock code: 336) and an independent director of Cosco Shipping Co., Ltd. (listed in Shanghai stock exchange) with effect from August 2013 and March 2012, respectively. Dr. Jin joined the Group in September 2004.

Dr. HUAN Guocang, aged 64, is currently the chief executive officer of Primus Pacific Partners Limited ("Primus"). Dr. Huan holds master degrees in arts from the Graduate School of International Studies of the University of Denver in 1982 and Columbia University in 1983, a PhD degree from Princeton University in 1987 and John Olin post doctorial fellow from the Centre for International and Strategic Studies of Harvard University in 1987. Before the set-up of Primus in 2005, Dr. Huan has been the Head of Investment Banking (Asia Pacific) of HSBC, the co-Head of Investment Banking (Asia Pacific) of Citigroup, the managing director and Head of China of BZW Asia Limited, a senior economist and vice president of J.P. Morgan, an assistant professor of Columbia University and an economist of Deutsche Bank. Dr. Huan joined the Group in January 2008.

Dr. WANG Jianping, aged 56, is currently a senior partner of King & Wood Mallesons, a law firm in China. Dr. Wang holds a bachelor degree in law from the Law School of Peking University in 1982, a master degree in law from the Law School of Harvard University in 1984 and a doctorate degree in law from the Law School of Washington University in Missouri in 1991. Before being admitted as a Chinese lawyer and joining King & Wood in 1998, Dr. Wang was further admitted to the Missouri Bar in 1991 and then practiced in St. Louis, Missouri from 1991 to 1997. From 1984 to 1988, Dr. Wang worked with the Legislative Affairs Committee of the Standing Committee of National People's Congress and has participated in the legislation of the Grassland Law, Fishery Law, Bankruptcy Law, Law of Chinese-foreign Cooperative Joint Venture, and Customs Law, etc. Dr. Wang joined the Group in January 2008.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

Independent Non-executive Directors *(continued)*

Prof. NIE Yongfeng, aged 68, is a professor at School of Environment, Tsinghua University, a doctoral supervisor for a doctoral program in Radiation Protection and Environment Protection, and a doctoral supervisor for Environmental Science and Engineering. He retired in April 2011, and is currently the deputy director of the Academic Committee of the Ministry of Education Key Laboratory for "Solid Waste Management and Environment Safety", Tsinghua University, a member of each of the Science and Technology Committee, the Municipal Work Committee, and the Resources and Sustainable Development Committee, Ministry of Housing and Urban-Rural Development, a member of the Expert Committee, the China Association of Urban Environmental Sanitation, a member of the Urban Garbage Treatment Professional Committee, the China Association of Environmental Protection Industry. Prof. Nie has solid theoretical foundation and extensive practical experience in urban domestic garbage, industrial solid waste and dangerous waste management, treatment, disposal and resource utilisation technology, and groundwater remediation theory and technology. Prof. Nie joined the Group in January 2014.

Senior Management

Mr. WONG Kwok Wai, Robin, aged 47, is the financial controller and the company secretary of the Company. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has been worked for a major international accounting firm and has extensive experience in administration, auditing, accounting and corporate finance. Mr. Wong joined the Group in July 1993.

Mr. WU Miaolin, aged 51, is an assistant president of the Company. Mr. Wu graduated from Peking University in 1984 with a bachelor degree in Law and was awarded the title of economist. Since 1984, Mr. Wu served as a committee member in Peking University. From 1987, Mr. Wu worked as the operation director of Software Laboratory of China Science Academy, the deputy general manager of Beijing United Software Company, the general manager of Dalu Computer Company of China Science Academy, the chairman of Top Computer Company. From 1989, Mr. Wu set up and served as the chairman and general manager of Beijing Gaoli Computer Co., Ltd. Mr. Wu joined the Group in September 2005.

Ms. SUN Ling, aged 55, is an assistant president of the Company. Ms. Sun graduated from Beijing Institute of Technology with a master degree in Business Administration. Ms. Sun has been worked for large state-owned enterprises and Beijing Municipal Government and has extensive operation and management experience in the field of information technology. Ms. Sun joined the Group in February 2002.

Mr. HUANG Minghui, aged 48, is an assistant president of the Company. Mr. Huang graduated from the Automation Faculty of Beijing University of Aeronautics & Astronautics ("BUAA") in 1988 with a bachelor degree in engineering and obtained a master degree in business administration from Tulane University, USA in 2005. Mr. Huang has been worked as a lecturer in BUAA. From 1997 to 2003, Mr. Huang was the chief engineer of Beijing Education Network and Information Centre. Mr. Huang joined the Group in June 2003.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

Save as disclosed below, the Company has complied with all the applicable code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2013.

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 director(s) of the Company (the "Director(s)"). All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2013.

Board of Directors

The board of Directors (the "Board") is mainly accountable to the shareholders and is also in charge of the management, business, strategy, annual and interim results, risk management, major acquisitions, disposals and capital transactions and other major operation and financial aspects of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

On 29 August 2013, Mr. Ke Jian was appointed as an executive Director and the vice chairman of the Company, Ms. Qin Xuemin was appointed as an executive Director and a vice president of the Company and Mr. Yan Qing was resigned as an executive Director. Immediately following the changes in the Board composition, the Company failed to comply with Rule 3.10A of the Listing Rules that an issuer must appoint independent non-executive directors representing at least one-third of the board. Such situation was rectified until Prof. Nie Yongfeng was appointed as an independent non-executive Director on 1 January 2014.

At present, the Board comprises seven executive Directors and four independent non-executive Directors. Details of backgrounds and qualifications of Directors are set out on pages 9 to 11. There is no relationship (including financial, business, family or other material/relevant relationship) between the Board members. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

During the year ended 31 December 2013, the Board has complied with Rules 3.10(1) and (2) of the Listing Rules which comprises three independent non-executive Directors, and has two independent non-executive Directors with appropriate financial management expertise. The independent non-executive Directors have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders. The Company has received annual confirmations of independence from each of the independent non-executive Directors and still considers them to be independent.

The Directors are regularly briefed and updated with written materials on the latest developments of the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board of Directors *(continued)*

According to the records maintained by the Company, the Directors received the training on disclosure requirements and principal directors' responsibilities under the Listing Rules in compliance with the Code Provisions on continuous professional development during the year ended 31 December 2013:

Name of Director	Position	Self reading materials	Attended seminar
Mr. E Meng	Chairman and executive Director	✓	✓
Mr. Zhang Honghai	Executive Director	✓	✓
Mr. Ke Jian	Vice Chairman and executive Director *(appointed on 29 August 2013)*	✓	✓
Mr. Wang Yong	Executive Director	✓	
Mr. Yan Qing	Executive Director *(resigned on 29 August 2013)*	✓	
Ms. Sha Ning	Executive Director	✓	
Ms. Qin Xuemin	Executive Director *(appointed on 29 August 2013)*	✓	
Mr. Ng Kong Fat, Brian	Executive Director	✓	
Dr. Jin Lizuo	Independent non-executive Director	✓	
Dr. Huan Guocang	Independent non-executive Director	✓	
Dr. Wang Jianping	Independent non-executive Director	✓	

The Board held two regular meetings during the year ended 31 December 2013. Details of attendance of each Director at the regular Board meetings and general meetings are as follows:

		Attendance	
Name of Director	Position	Regular Board meetings	General meetings
Mr. E Meng	Chairman and executive Director	2/2	2/2
Mr. Zhang Honghai	Executive Director	2/2	0/2
Mr. Ke Jian	Vice Chairman and executive Director *(appointed on 29 August 2013)*	0/0	0/0
Mr. Wang Yong	Executive Director	2/2	1/2
Mr. Yan Qing	Executive Director *(resigned on 29 August 2013)*	1/2	0/2
Ms. Sha Ning	Executive Director	2/2	0/2
Ms. Qin Xuemin	Executive Director *(appointed on 29 August 2013)*	0/0	0/0
Mr. Ng Kong Fat, Brian	Executive Director	1/2	0/2
Dr. Jin Lizuo	Independent non-executive Director	2/2	0/2
Dr. Huan Guocang	Independent non-executive Director	2/2	0/2
Dr. Wang Jianping	Independent non-executive Director	2/2	0/2

Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. 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.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board of Directors *(continued)*

Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive directors to voice their views by individual communication with the chairman of the Board (the "Chairman").

Under 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 were unable to attend the general meetings of the Company due to other business engagements.

Under Code Provision E.1.2, the chairman of the board should invite the chairmen of the audit, remuneration and nomination committees to attend the annual general meeting. However, the chairmen of audit and remuneration committees were unable to attend the annual general meeting due to other business engagements.

Chairman and President

The Company has complied with Code Provision A.2.1 which stipulates that the roles of chairman and president should be separated and should not be performed by the same individual. Mr. E Meng, the Chairman, is responsible for the approval and supervision of the overall strategies and policies of the Group, approval of annual budgets and business plans, evaluation of the Company's performance and oversight of the management. Mr. Wang Yong, the president of the Company, is responsible for the day-to-day operations of the Group.

Non-Executive Directors

None of the existing non-executive directors is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1 which stipulates non-executive directors should be appointed for a specific term, subject to re-election. However, in view of the fact that all non-executive directors are subject to retirement by rotation in accordance with the Company's articles of association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the Code Provision.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Board Committees

Remuneration Committee

The Remuneration Committee was established with terms of reference in accordance with Rule 3.25 of the Listing Rules and Code Provision B.1. The members of the Remuneration Committee comprise three independent non-executive Directors, namely Dr. Jin Lizuo (committee chairman), Dr. Huan Guocang and Dr. Wang Jianping and the Chairman, Mr. E Meng. The Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve executive Directors' and senior management's remuneration.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board Committees *(continued)*

Remuneration Committee *(continued)*

The role and function of the Remuneration Committee include (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; (iv) to make recommendations to the Board on the remuneration packages of non-executive Directors; (v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (vi) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and is otherwise fair and not excessive; (vii) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (viii) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held a meeting during the year under review with all the committee members attended. The meeting has reviewed the current remuneration packages of the Board members. Details of the Directors' remuneration are set out in note 8 to the financial statements. Remuneration payable to members of senior management as named on page 11 fell within the following bands:

	Number
Nil – HK$500,000	1
HK$500,001 – HK$1,000,000	2
HK$1,000,001 – HK$1,500,000	1
	4

Nomination Committee

The Nomination Committee was established with terms of reference in accordance with Code Provision A.5. The members of the Nomination Committee comprise the Chairman, Mr. E Meng (committee chairman), and three independent non-executive Directors, 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, composition and diversity (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) review the policy on Board diversity and any measurable objectives for implementing such policy as may be adopted by the Board from time to time, and to review the progress of achieving those objectives; (iii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iv) assess the independence of independent non-executive Directors; and (v) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee held a meeting during the year under review with all the committee members attended. The meeting has reviewed the current structure, size, composition and diversity of the Board and has make recommendations on the proposed changes of executive Directors.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board Committees *(continued)*

Audit Committee

The Audit Committee was established with written terms of reference in accordance with Rule 3.21 of the Listing Rules and Code Provision C.3. The current members of the Audit Committee comprise three independent non-executive Directors, 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.

The Audit Committee held two meetings during the year under review with all the committee members attended. The meeting has reviewed the interim and annual results, financial positions, internal control, impacts of the new accounting standards and management issues of the Group.

Auditors' Remuneration

An analysis of remuneration in respect of services provided by the auditors, Ernst & Young, of the Group is as follows:

	HK$'000
Annual audit services	2,060
Acting as the reporting accountants in respect of the Group's potential acquisitions	800
Agreed-upon procedures on interim financial statements	400
	3,260

Directors' and Auditors' Responsibilities for Accounts

The Directors' responsibilities for preparing the accounts and the responsibilities of the auditors to the shareholders are set out on page 26. The Directors have confirmed that the Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

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 compliance controls and risk management functions. During the year ended 31 December 2013, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

Company Secretary

The company secretary of the Company is Mr. Wong Kwok Wai, Robin, and his biographical details are set out on page 11. Mr. Wong has complied with Rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Shareholders' Rights

The Company recognises the importance of good communications with shareholders and investors and also recognises the value of providing current and relevant information to shareholders and investors. Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual and extraordinary general meetings of the Company provide a forum for shareholders to exchange views directly with the Board, which together help enhance and facilitate communication with shareholders. All registered shareholders are entitled to attend the general meetings and notices of meeting are served by post. Shareholders who are unable to attend a general meeting may complete and return to the Company's share registrar the proxy form enclosed with notice of meeting to give proxy to their representatives or chairman of the meeting.

Shareholders' Right to Convene Extraordinary General Meeting

The articles of association of the Company provides that the Directors may, whenever they think fit, convene an extraordinary general meeting and extraordinary general meetings shall also be convened on requisition, or, in default, may be convened by the requisitionists, all as provided by the Companies Ordinance (Cap 622), which provides that the directors are required to call a general meeting if the company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings.

Shareholders' Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the registered office of the Company in Hong Kong, or by fax (+852 2529 3725), or by e-mail to general@bdhk.com.hk for the attention of the company secretary.

Shareholders' Right to Put Forward Proposals at General Meetings

The Companies Ordinance (Cap 622) provides that, a company must give notice of a resolution if it has received requests that it do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Companies Ordinance (Cap 622) also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

All request shall be sent to the registered office of the Company in Hong Kong, or by fax (+852 2529 3725), or by e-mail to general@bdhk.com.hk for the attention of the company secretary.

Investor Relations

Articles of Association

On 11 January 2013, the authorised share capital of the Company was increased to HK$5,000,000,000 divided into 5,000,000,000 ordinary shares of HK$1 each by the creation of an additional 4,000,000,000 unissued ordinary shares of HK$1 each, which will rank pari passu with all existing ordinary shares of the Company. Saved as disclosed above, there had been no change in the Company's articles of association.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Beijing Development (Hong Kong) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year. During the year, the board of directors announced its decision of strategic transformation, entering the environmental protection industry and participating in the field of waste incineration power generation.

Results and Dividends

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 95.

The directors do not recommend the payment of any dividend in respect of the year.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 96. This summary does not form part of the audited financial statements.

Property and Equipment and Investment Properties

Details of movements in the property and equipment and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

Share Capital, Share Options and Convertible Bonds

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 24, 25 and 28 to the financial statements, respectively.

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.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 26(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2013, the Company had no reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance. However, the Company's share premium account, in the amount of HK$192,892,000, may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS *(CONTINUED)*

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 49% of the total sales for the year and sales to the largest customer included therein amounted to 24%. Purchases from the Group's five largest suppliers accounted for 23% of the total purchases for the year and purchases from the largest supplier included therein amounted to 7%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. E Meng *(Chairman)*	
Mr. Zhang Honghai	
Mr. Ke Jian *(Vice Chairman)*	*(appointed on 29 August 2013)*
Mr. Wang Yong *(President)*	
Mr. Yan Qing	*(resigned on 29 August 2013)*
Ms. Sha Ning *(Vice President)*	
Ms. Qin Xuemin *(Vice President)*	*(appointed on 29 August 2013)*
Mr. Ng Kong Fat, Brian	

Independent non-executive directors:

Dr. Jin Lizuo	
Dr. Huan Guocang	
Dr. Wang Jianping	
Prof. Nie Yongfeng	*(appointed on 1 January 2014)*

In accordance with articles 95 and 104(a) of the Company's articles of association, Mr. Ke Jian, Mr. Wang Yong, Ms. Qin Xuemin, Mr. Ng Kong Fat, Brian, Dr. Wang Jianping and Prof. Nie Yongfeng will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

None of the existing non-executive directors of the Company is appointed for a specific term.

Mr. Zhang Honghai has been appointed as an executive director and the chairman of BEP International Holdings Limited (stock code: 2326) with effect from 30 October 2013 and 28 January 2014, respectively and has resigned as a director of Beijing Enterprises Group Company Limited ("BEGCL") in December 2013. Saved as disclosed above, since the issue date of the Company's 2013 interim report, there has been no change in directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Company has received annual confirmations of independence from each of the four independent non-executive directors of the Company and as at the date of this report still considers them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

REPORT OF THE DIRECTORS *(CONTINUED)*

Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee. Further details of the Company's remuneration committee are set out in the corporate governance report on pages 14 and 15 of the annual report.

Directors' Interests in Contracts

Save as the transactions with BEGCL and its subsidiaries, further details of which are set out in note 35 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

At 31 December 2013, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of ordinary shares held, capacity and nature of interest			
Name of director	Directly beneficially owned	Through a controlled corporation	Total	Percentage of the Company's issued share capital
Mr. E Meng	601,000	—	601,000	0.07
Mr. Zhang Honghai	4,000,000	—	4,000,000	0.47
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755#	10,392,755	1.22
	6,201,000	8,792,755	14,993,755	1.76

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

REPORT OF THE DIRECTORS *(CONTINUED)*

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares *(continued)*

Long positions in share options of the Company:

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

Long positions in ordinary shares of an associated corporation — China Information Technology Development Limited:

Mr. Ke Jian was directly beneficially owned 141,600 ordinary shares of China Information Technology Development Limited, representing approximately 0.016% of its issued share capital.

Long positions in share options of an associated corporation — Beijing Properties (Holdings) Limited:

	Number of share options directly beneficially owned		
Name of director	Batch 1	Batch 2	Total
Mr. E Meng	5,000,000	3,600,000	8,600,000
Mr. Zhang Honghai	6,000,000	5,000,000	11,000,000
	11,000,000	8,600,000	19,600,000

Batch 1: These share options were granted on 28 October 2011 at an exercise price of HK$0.465 per share. These share options may be exercised at any time commencing on 28 October 2011, and if not otherwise exercised, will lapse on 27 October 2021.

Batch 2: These share options were granted on 1 June 2012 at an exercise price of HK$0.41 per share. These share options may be exercised at any time commencing on 1 June 2012, and if not otherwise exercised, will lapse on 31 May 2022.

Save as disclosed above, as at 31 December 2013, none of the directors and chief executive had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 25 to the financial statements.

REPORT OF THE DIRECTORS *(CONTINUED)*

Share Option Scheme *(continued)*

The following table discloses movements in the Company's share options outstanding during the year:

	Number of share options		
Name or category of participant	**At 1 January 2013**	**Exercised during the year**	**At 31 December 2013**
Executive directors:			
Mr. E Meng	6,770,000	—	6,770,000
Mr. Zhang Honghai	6,770,000	—	6,770,000
Mr. Wang Yong	6,770,000	—	6,770,000
Mr. Ng Kong Fat, Brian	5,500,000	—	5,500,000
Independent non-executive directors:			
Dr. Jin Lizuo	670,000	—	670,000
Dr. Huan Guocang	670,000	—	670,000
Dr. Wang Jianping	670,000	—	670,000
Other employees:			
In aggregate*	23,600,000	(500,000)	23,100,000
	51,420,000	(500,000)	50,920,000

* Included 4,700,000 share options held by Mr. Yan Qing who resigned as an executive director of the Company on 29 August 2013.

The outstanding share options were granted on 21 June 2011 at an exercise price of HK$1.25 (subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital) per ordinary share of the Company. The share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Contract of Significance

Save as the transactions with BEGCL and its subsidiaries, further details of which are set out in note 35 to the financial statements, no contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

REPORT OF THE DIRECTORS *(CONTINUED)*

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

At 31 December 2013, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

		Number of ordinary shares held, capacity and nature of interest			
Name	Notes	**Directly beneficially owned**	**Through controlled corporations**	**Total**	**Percentage of the Company's issued share capital**
Idata Finance Trading Limited ("Idata")		452,675,000	—	452,675,000	52.95
Beijing Enterprises Holdings Limited ("BEHL")	(a)	14,784,000	452,675,000	467,459,000	54.68
Beijing Enterprises Group (BVI) Company Limited ("BEBVI")	(b)	—	467,459,000	467,459,000	54.68
BEGCL	(b)	—	467,459,000	467,459,000	54.68

Notes:

(a) The interest disclosed includes the ordinary shares owned by Idata. Idata is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the ordinary shares owned by Idata.

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

Save as disclosed above, as at 31 December 2013, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Connected Transactions and Continuing Connected Transactions

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transactions

(a) On 5 February 2013, Business Net Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with QIFA Holdings Limited, an indirectly wholly owned subsidiary of BEGCL, to transfer of its entire issued share capital of Alison Development Limited ("Alison") and the indebtedness advanced by the Company to Alison for a cash consideration of HK$8,500,000. The transaction was completed on 6 February 2013. Further details of the transaction are set out in the Company's announcement dated 5 February 2013 and note 31 to the financial statements.

REPORT OF THE DIRECTORS *(CONTINUED)*

Connected Transactions and Continuing Connected Transactions *(continued)*

Connected transactions *(continued)*

(b) As approved by the independent shareholders of the Company at an extraordinary general meeting held on 11 January 2013 and pursuant to the completion of the conditional subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto) entered into between the Company, Idata (as subscriber), and BEHL (as guarantor), (i) 177,000,000 new ordinary shares of HK$1 each were issued at a price of HK$1.13 per share to Idata; and (ii) convertible bonds of the Company with an aggregate principal of HK$300,580,000 and an initial conversion price of HK$1.13 per share were issued to Idata on 28 February 2013. Further details of the transactions are set out in the Company's circular dated 21 December 2012, the Company's announcement dated 28 February 2013 and notes 24 and 28 to the financial statements.

Continuing connected transactions

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year:

(a) 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 BEGCL, regarding the supplies of merchandise and related services of municipal administration and communications card, namely "一卡通", to the Group. Further details of the Framework Agreement are set out in the Company's announcement dated 30 March 2012. During the year ended 31 December 2013, the Group purchased merchandise and related services in the amount of HK$3,907,000 (2012: HK$5,057,000) from BMAC.

(b) On 31 December 2012, the Company entered into a two-year property services contract (the "Property Services Contract") with 北京北控宏創科技有限公司 ("Hong Chuang"), a wholly-owned subsidiary of BEHL, pursuant to which Hong Chuang will provide property management services in respect of the public areas and public installation and facilities of a property situated in Mainland China. Further details of the Property Services Contract are set out in the Company's announcement dated 31 December 2012. The Property Services Contract was effective retrospectively from 14 February 2012, and during the year ended 31 December 2013, the property services fee payable by the Group amounted to HK$1,739,000 (2012:HK$1,492,000).

The directors of the Company confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have reviewed these continuing connected transactions and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of these continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS *(CONTINUED)*

Sufficiency of Public Float

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

Events after the Reporting Period

Details of the significant events of the Group after the reporting period are set out in note 39 to the financial statements.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

E Meng
Chairman

Hong Kong
28 March 2014

INDEPENDENT AUDITORS' REPORT

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the shareholders of Beijing Development (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Beijing Development (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 95, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**193,067**	208,387
Cost of sales		**(156,173)**	(187,856)
Gross profit		**36,894**	20,531
Other income and gains, net	5	**17,848**	31,991
Selling and distribution expenses		**(6,571)**	(5,920)
Administrative expenses		**(65,444)**	(65,171)
Other operating expenses, net		**(6,241)**	(1,154)
LOSS FROM OPERATING ACTIVITIES	6	**(23,514)**	(19,723)
Finance costs	7	**(8,117)**	(4,507)
Share of profits and losses of:			
A joint venture		**(286)**	679
Associates		**2,765**	(2,964)
LOSS BEFORE TAX		**(29,152)**	(26,515)
Income tax	10	**40**	(135)
LOSS FOR THE YEAR		**(29,112)**	(26,650)
ATTRIBUTABLE TO:			
Shareholders of the Company	11	**(24,484)**	(18,833)
Non-controlling interests		**(4,628)**	(7,817)
		(29,112)	(26,650)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12		
— Basic and diluted (HK cents)		**(2.96)**	(2.78)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
LOSS FOR THE YEAR		**(29,112)**	(26,650)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange fluctuation reserve:			
— Translation of foreign operations		**17,815**	—
— Release upon disposal of a subsidiary	31	**(706)**	—
— Release upon deemed partial disposal of interests in a subsidiary		**—**	(125)
— Release upon deemed partial disposals of interests in an associate		**—**	(1,567)
Share of other comprehensive loss of an associate		**(1,028)**	(32)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**16,081**	(1,724)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(13,031)**	(28,374)
ATTRIBUTABLE TO:			
Shareholders of the Company		**(10,291)**	(20,557)
Non-controlling interests		**(2,740)**	(7,817)
		(13,031)	(28,374)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets:			
Property and equipment	13	**9,747**	12,532
Investment properties	14	**47,752**	45,812
Intangible assets	15	**2,857**	3,576
Investment in a joint venture	17	**11,986**	12,352
Investments in associates	18	**25,910**	24,063
Trade receivables	21	**7,678**	9,681
Prepayment	22	**32,821**	31,605
Total non-current assets		**138,751**	139,621
Current assets:			
Inventories	19	**9,609**	7,967
Amounts due from contract customers	20	**1,331**	909
Trade receivables	21	**68,101**	78,781
Prepayments, deposits and other receivables	22	**36,894**	85,421
Pledged deposits	23	**3,200**	5,779
Cash and cash equivalents	23	**1,173,990**	647,050
Total current assets		**1,293,125**	825,907
TOTAL ASSETS		**1,431,876**	965,528
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital	24	**854,960**	677,460
Reserves	26(a)(i)	**66,365**	22,341
		921,325	699,801
Non-controlling interests		**7,737**	15,380
TOTAL EQUITY		**929,062**	715,181
Non-current liabilities:			
Trade payables	27	**6,863**	11,036
Convertible bonds	28	**272,541**	—
Deferred income	29	**—**	43,444
Total non-current liabilities		**279,404**	54,480
Current liabilities:			
Trade and bills payables	27	**116,390**	79,958
Amounts due to contract customers	20	**1,585**	7,173
Other payables and accruals	30	**98,591**	102,146
Income tax payables		**6,844**	6,590
Total current liabilities		**223,410**	195,867
TOTAL LIABILITIES		**502,814**	250,347
TOTAL EQUITY AND LIABILITIES		**1,431,876**	965,528

E Meng
Director

Wang Yong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

		Attributable to shareholders of the Company											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000 (note 26(a)(ii))	Share option reserve HK$'000 (note 26(a)(iii))	Equity component of convertible bonds HK$'000 (note 28)	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000 (note 26(a)(iv))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'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 year		—	—	—	—	—	—	—	—	(18,833)	(18,833)	(7,817)	(26,650)
Other comprehensive loss for the year:													
Exchange fluctuation reserve:													
Release upon deemed partial disposal of interests in a subsidiary		—	—	—	—	—	—	(125)	—	—	(125)	—	(125)
Release upon deemed partial disposals of interests in an associate		—	—	—	—	—	—	(1,567)	—	—	(1,567)	—	(1,567)
Share of other comprehensive loss of an associate		—	—	—	—	—	—	(32)	—	—	(32)	—	(32)
Total comprehensive loss for the year		—	—	—	—	—	—	(1,724)	—	(18,833)	(20,557)	(7,817)	(28,374)
Capital contribution by a non-controlling equity holder		—	—	—	—	—	—	—	—	—	—	5,291	5,291
Transfer to PRC reserve funds		—	—	—	—	—	—	—	38	(38)	—	—	—
Share of reserves of an associate		—	—	—	—	—	(3,096)	—	—	3,096	—	—	—
Deemed partial disposal of interests in a subsidiary		—	—	—	—	—	1,065	—	—	—	1,065	(940)	125
Deemed partial disposals of interests in an associate		—	—	—	—	—	(1,369)	—	(4,995)	6,364	—	—	—
At 31 December 2012 and 1 January 2013		677,460	170,319*	9,721*	27,882*	—*	2,943*	75,743*	36,781*	(301,048)*	699,801	15,380	715,181
Loss for the year		—	—	—	—	—	—	—	—	(24,484)	(24,484)	(4,628)	(29,112)
Other comprehensive income/(loss) for the year:													
Exchange fluctuation reserve:													
Translation of foreign operations		—	—	—	—	—	—	15,927	—	—	15,927	1,888	17,815
Release upon disposal of a subsidiary	31	—	—	—	—	—	—	(706)	—	—	(706)	—	(706)
Share of other comprehensive loss of an associate		—	—	—	—	—	—	(1,028)	—	—	(1,028)	—	(1,028)
Total comprehensive income/(loss) for the year		—	—	—	—	—	—	14,193	—	(24,484)	(10,291)	(2,740)	(13,031)
Issue of new shares	24	177,000	23,010	—	—	—	—	—	—	—	200,010	—	200,010
Issue of shares upon exercise of share options	25(c)	500	354	—	(229)	—	—	—	—	—	625	—	625
Share issue expense	24	—	(791)	—	—	—	—	—	—	—	(791)	—	(791)
Issue of convertible bonds	28	—	—	—	—	31,971	—	—	—	—	31,971	—	31,971
Disposal of a subsidiary	31	—	—	—	—	—	(1,065)	—	—	1,065	—	(4,903)	(4,903)
At 31 December 2013		854,960	192,892*	9,721*	27,653*	31,971*	1,878*	89,936*	36,781*	(324,467)*	921,325	7,737	929,062

* These reserve accounts comprise the consolidated reserves of HK$66,365,000 (2012: HK$22,341,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(29,152)**	(26,515)
Adjustments for:			
Gain on disposal of a subsidiary	5	**(1,535)**	—
Gains on deemed partial disposals of interests in an associate	5	**—**	(9,592)
Share of profits and losses of a joint venture		**286**	(679)
Share of profits and losses of associates		**(2,765)**	2,964
Bank interest income	5	**(12,369)**	(11,585)
Imputed interest on interest-free trade receivables with extended credit periods	5	**(1,825)**	(5,154)
Finance costs	7	**8,117**	4,507
Depreciation	6	**2,490**	2,799
Fair value loss/(gain) on investment properties	6	**(176)**	25
Amortisation of intangible assets	6	**832**	797
Impairment of an amount due from an associate	6	**31**	33
Impairment of trade receivables, net	6	**641**	931
Impairment of other receivables, net	6	**5,186**	116
Loss on disposal of items of property and equipment, net	6	**174**	6
		(30,065)	(41,347)
Decrease/(increase) in inventories		**(1,336)**	6,735
Increase in amounts due from contract customers		**(387)**	—
Decrease in trade receivables		**17,285**	16,480
Increase in prepayments, deposits and other receivables		**(5,635)**	(3,050)
Increase/(decrease) in trade and bills payables		**28,285**	(45,120)
Decrease in amounts due to contract customers		**(5,863)**	(2,615)
Decrease in other payables and accruals		**(5,313)**	(7,110)
Decrease in deferred income		**(259)**	(2,471)
Cash used in operations		**(3,288)**	(78,498)
Dividend received from a joint venture		**—**	420
PRC corporate income tax refunded/(paid)		**40**	(307)
Net cash flows used in operating activities		**(3,248)**	(78,385)

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	13	**(2,092)**	(5,677)
Prepayment for the acquisition of a property	22(e)	**—**	(31,605)
Proceeds from disposal of items of property and equipment		**131**	58
Purchases of intangible assets	15	**(630)**	(1,877)
Disposal of a subsidiary	31	**(48,052)**	—
Proceeds from disposal of a joint venture	22(a)	**47,595**	35,264
Increase in an amount due from an associate		**(31)**	(33)
Decrease in time deposits with maturity of more than three months when acquired		**39,993**	13,471
Decrease/(increase) in pledged deposits		**2,801**	(4,606)
Interest received		**12,369**	11,585
Net cash flows from investing activities		**52,084**	16,580
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	24	**200,010**	—
Proceeds from issue of shares upon exercise of share options	24	**625**	—
Share issue expense	24	**(791)**	—
Proceeds from issue of convertible bonds	28	**300,580**	—
Transaction costs on issue of convertible bonds		**(1,189)**	—
Interest paid		**(2,528)**	—
Capital contribution by a non-controlling equity holder		**—**	5,291
Net cash flows from financing activities		**496,707**	5,291
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**545,543**	(56,514)
Cash and cash equivalents at beginning of year		**551,748**	608,262
Effect of foreign exchange rate changes, net		**17,725**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,115,016**	551,748
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	23	**218,543**	304,373
Time deposits	23	**958,647**	348,456
Less: Pledged deposits	23	**(3,200)**	(5,779)
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,173,990**	647,050
Less: Time deposits with maturity of more than three months when acquired		**(58,974)**	(95,302)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,115,016**	551,748

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets:			
Property and equipment	13	**879**	939
Intangible assets	15	**719**	1,094
Investments in subsidiaries	16	**189,252**	199,380
Prepayment	22	**32,821**	31,605
Total non-current assets		**223,671**	233,018
Current assets:			
Prepayments, deposits and other receivables	22	**39,225**	37,440
Cash and cash equivalents	23	**995,182**	440,725
Total current assets		**1,034,407**	478,165
TOTAL ASSETS		**1,258,078**	711,183
EQUITY AND LIABILITIES			
Equity:			
Issued capital	24	**854,960**	677,460
Reserves	26(b)	**12,917**	(29,452)
TOTAL EQUITY		**867,877**	648,008
Non-current liabilities:			
Convertible bonds	28	**272,541**	—
Current liabilities:			
Other payables and accruals	30	**117,660**	63,175
TOTAL LIABILITIES		**390,201**	63,175
TOTAL EQUITY AND LIABILITIES		**1,258,078**	711,183

E Meng
Director

Wang Yong
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2013

1. Corporate Information

Beijing Development (Hong Kong) Limited (the "Company") is a limited liability company incorporated in Hong Kong and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the provision of information technology ("IT") related services, which included: (i) system integration; (ii) the construction of information networks and sale of related equipment; (iii) the provision of IT technical support and consultation services; and (iv) the development and sale of software.

During the year, upon the completion of the subscription of the Company's new ordinary shares as further detailed in note 24(b) to the financial statements by Idata Finance Trading Limited ("Idata", a limited liability company incorporated in the British Virgin Islands), Idata holds an aggregate of 52.95% equity interest in the Company and become the immediate holding company of the Company. In the opinion of the directors, the ultimate holding company is 北京控股集團有限公司 ("BEGCL"), which is a state-owned enterprise established in the People's Republic of China ("PRC") and is wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (the "Beijing SASAC").

2.1 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 ("HKICPA"), 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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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 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 statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to the statement of profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.2 Changes in Accounting Policies 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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, 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) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.2 Changes in Accounting Policies and Disclosures *(continued)*

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The application of HKFRS 11 does not change the equity accounting conclusion of the Group in respect of its investment in a joint venture.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, a joint venture and associates are included in notes 16, 17 and 18 to the financial statements.

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties are included in note 14 to the financial statements.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.2 Changes in Accounting Policies and Disclosures *(continued)*

(g) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- *HKAS 32 Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.3 Issued but not yet Effective HKFRSs

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

HKFRS 9	*Financial Instruments* [4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39* [4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities* [1]
HKFRS 14	*Regulatory Deferral Accounts* [3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting* [1]
HK(IFRIC)-Int 21	*Levies* [1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014 [2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014 [2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in the statement of profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.3 Issued but not yet Effective HKFRSs *(continued)*

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirely. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any accumulated impairment losses.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Investments in associates and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or a joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint venture is included as part of the Group's investments in associates or joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement *(continued)*
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties
A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has controls or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in the statement of profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the statement of profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	12.5% to 50%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor, are charged to the statement of profit or loss on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment losses. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised on the straight-line basis over their estimated useful economic lives and the principal annual rates used for this purpose are as follows:

Management information systems	10%
Licences	20%
Computer software	10% to 20%
Golf club membership	20%

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, financial assets, inventories and amounts due from contract customers), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in "Other operating expenses, net" in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Investments and other financial assets

Initial recognition and measurement

Financial assets are all classified, at initial recognition, as loans and receivables, which are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income and gains, net" in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in "Other operating expenses, net".

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other operating expenses, net" in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as loans and borrowings, which are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and the liability component of convertible bonds.

Subsequent measurement

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component (conversion option).

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a non-current liability or a current liability, as appropriate, on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option (the equity component) that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. In respect of the convertible bonds issued by the Company, the equity component is included in the Company's convertible bond equity reserve. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised. Upon the exercise of the conversion option, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares issued, and the excess of the total carrying amount of the liability and equity components of the convertible bonds over the nominal value of the shares issued is recorded in the share premium account. When convertible bonds are redeemed, the carrying amount of the equity component is transferred to retained profits as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in the statement of profit or loss. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the convertible bonds will be transferred to retained profits as a movement in reserves. No gain or loss is recognised in the statement of profit or loss upon conversion or expiration of the conversion option.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

System integration contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed overheads.

Revenue from fixed price system integration contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

System integration contracts *(continued)*

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Software development contracts

Contract revenue comprises the agreed contract amount. Contract costs comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from fixed price software development contracts is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Government grants *(continued)*

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from system integration contracts, on the percentage of completion basis, as further explained in the accounting policy for "System integration contracts" above;

(c) from maintenance contracts, on a time proportion basis over the contract terms;

(d) from the software development, on the percentage of completion basis, as further explained in the accounting policy for "Software development contracts" above; and

(e) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair values are determined by external valuers using the Black-Scholes-Merton option pricing model, further details of which are given in note 25 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Employee benefits *(continued)*

Share-based payments *(continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share.

Pension schemes

Certain companies within the Group have participated in a number of defined contribution retirement benefit schemes required by the respective local governments in which they operate for their employees. Contributions are made based on a certain percentage of the covered payroll and are charged to the statement of profit or loss as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the schemes.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas and Mainland China subsidiaries, joint venture and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of exchange fluctuation reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas and Mainland China subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas and Mainland China subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Useful lives and residual values of property and equipment and intangible assets

The Group's management determines the useful lives, residual values and related depreciation/amortisation charges for the Group's property and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of property and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charges where useful lives or residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable lives of the Group's property and equipment and intangible assets and therefore depreciation/amortisation in the future periods.

Estimation of fair value of investment properties

The Group's investment properties were vacant during the reporting period and may be subject to demolishment in the near future. Management revalues the investment properties at the end of each reporting periods in accordance with the relevant rules and regulations applicable to the demolishment. Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

3. Significant Accounting Judgements and Estimates *(continued)*

Provision against obsolete and slow-moving inventories

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation by the end of each reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

Provision for impairment of trade receivables and other receivables

The policy for provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Percentage of completion of system integration and software development contracts

The Group recognises revenue according to the percentage of completion of the individual contract of system integration and software development. The Group's management estimates the percentage of completion of system integration and software development contracts based on the actual cost incurred over the total budgeted cost, where corresponding contract revenue is also estimated by management. Because of the nature of the activities undertaken in system integration and software development contracts, the date at which an activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each system integration and software development contract as the contract progresses.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong, Mainland China and overseas jurisdictions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

4. 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 5 to the financial statements.

The Group's revenue from external customers is derived solely from its operations in the 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 two external customers (2012: two) which individually contributed to over 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out below:

	Group	
	2013	2012
	HK$'000	HK$'000
Customer A	**47,278**	41,202
Customer B	*****	24,590
Customer C	**20,373**	*

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

5. Revenue, Other Income and Gains, Net

Revenue, which is also the Group's turnover, represents (i) 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 (ii) the value of services rendered, net of business tax during the year.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

5. Revenue, Other Income and Gains, Net *(continued)*

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

	Notes	Group 2013 HK$'000	2012 HK$'000
Revenue			
Sale of IT related products		128,015	119,352
Maintenance contracts		35,365	21,803
System integration contracts		20,624	50,067
Software development contracts		9,063	17,165
		193,067	208,387
Other income			
Bank interest income		12,369	11,585
Imputed interest on interest-free trade receivables with extended credit periods		1,825	5,154
Government grants released	(a)	259	2,469
Others		1,346	3,191
		15,799	22,399
Gains, net			
Fair value gain on investment properties	14	176	—
Gain on disposal of a subsidiary	31	1,535	—
Gains on deemed partial disposals of interests in an associate	(b)	—	9,592
Foreign exchange differences, net	6	338	—
		2,049	9,592
Other income and gains, net		17,848	31,991

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 北京北控文化體育有限公司 ("BG Culture"), a subsidiary of the Group. The government grants have been recognised in the consolidated statement of profit or loss to match with the related expenses that they are intended to compensate or over the expected useful lives of the relevant assets by equal annual instalments. There are no unfulfilled conditions or contingencies relating to these grants. Government grants received for which related expenditure had not yet been undertaken had been included in deferred income in the consolidated statement of financial position before BG Culture was disposed of by the Group during the year.

(b) The gains on deemed partial disposals of interests in an associate recognised during the year ended 31 December 2012 arose from the dilution of the Group's equity interest in China Information Technology Development Limited ("CITD") from approximately 29.18% to 21.10% upon the placing of 100,000,000 (as adjusted by the ten-to-one share consolidation carried out by CITD on 2 August 2012) and 149,000,000 new ordinary shares by CITD in June 2012 and October 2012, respectively.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

6. Loss from Operating Activities

The Group's loss from operating activities is arrived at after charging/(crediting):

		Group	
	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories sold		109,551	105,727
Cost of services provided		46,622	82,129
Depreciation	13	2,490	2,799
Minimum lease payments under operating leases of land and buildings		9,891	9,083
Fair value loss/(gain) on investment properties	14	(176)	25
Amortisation of intangible assets	15	832	797
Impairment of an amount due from an associate#	18(b)	31	33
Impairment of trade receivables, net#	21(b)	641	931
Impairment of other receivables, net#	22(c)	5,186	116
Loss on disposal of items of property and equipment, net#		174	6
Auditors' remuneration		2,060	2,080
Employee benefit expense (including directors' remuneration — note 8):			
Wages and salaries		39,153	41,628
Pension scheme contributions		4,297	4,164
		43,450	45,792
Foreign exchange differences, net	5	(338)	461

These items are included in "Other operating expenses, net" in the consolidated statement of profit or loss.

7. Finance Costs

	Group	
	2013 HK$'000	2012 HK$'000
Interest on convertible bonds	2,528	—
Imputed interest on convertible bonds (note 28)	5,121	—
Imputed interest on interest-free trade payables with extended credit periods	468	4,507
	8,117	4,507

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Fees	**1,221**	960
Other emoluments:		
Salaries, allowances and benefits in kind	**1,136**	1,091
Pension scheme contributions	**100**	90
	1,236	1,181
	2,457	2,141

An analysis of directors' remuneration for the year is as follows:

Group

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013				
Executive directors				
Mr. E Meng	130	—	—	130
Mr. Zhang Honghai	120	—	—	120
Mr. Ke Jian*	41	—	—	41
Mr. Wang Yong	120	1,136	99	1,355
Mr. Yan Qing#	79	—	—	79
Ms. Sha Ning	120	—	—	120
Ms. Qin Xuemin*	41	—	—	41
Mr. Ng Kong Fat, Brian	120	—	1	121
	771	1,136	100	2,007
Independent non-executive directors				
Dr. Jin Lizuo	150	—	—	150
Dr. Huan Guocang	150	—	—	150
Dr. Wang Jianping	150	—	—	150
	450	—	—	450
Total	1,221	1,136	100	2,457

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

8. Directors' Remuneration *(continued)*

Group

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012				
Executive directors				
Mr. E Meng	100	—	—	100
Mr. Zhang Honghai	100	—	—	100
Mr. Wang Yong	100	1,091	89	1,280
Mr. Yan Qing	100	—	—	100
Ms. Sha Ning	100	—	—	100
Mr. Ng Kong Fat, Brian	100	—	1	101
	600	1,091	90	1,781
Independent non-executive directors				
Dr. Jin Lizuo	120	—	—	120
Dr. Huan Guocang	120	—	—	120
Dr. Wang Jianping	120	—	—	120
	360	—	—	360
Total	960	1,091	90	2,141

* Appointed on 29 August 2013
# Resigned on 29 August 2013

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees during the year included one (2012: one) director, details of his remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2012: four) non-director, highest paid employees for the year are as follows:

	Group 2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	**2,747**	2,676
Pension scheme contributions	**317**	272
	3,064	2,948

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

9. Five Highest Paid Employees *(continued)*

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Group	
	2013	2012
Nil – HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**1**	1
	4	4

10. Income Tax

No provision for Hong Kong profits tax has been made for the year ended 31 December 2013 as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2013	2012
	HK$'000	HK$'000
Current — Mainland China		
Charge for the year	**—**	60
Underprovision/(overprovision) in prior years	**(40)**	75
Total tax charge/(credit) for the year	**(40)**	135

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

10. Income Tax *(continued)*

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Loss before tax	**(29,152)**	(26,515)
Tax at the statutory tax rates	**(5,787)**	(5,998)
Lower tax rate enacted by local authority	**499**	249
Profits and losses attributable to a joint venture	**72**	(170)
Profits and losses attributable to associates	**(459)**	486
Income not subject to tax	**(575)**	(1,690)
Expenses not deductible for tax	**4,987**	2,946
Tax losses utilised from previous periods	**(2,060)**	(334)
Tax losses not recognised	**3,270**	5,098
Adjustments in respect of current tax of previous periods	**(40)**	75
Others	**53**	(527)
Tax charge/(credit) at the Group's effective rate	**(40)**	135

The share of tax expenses attributable to a joint venture and associates amounting to HK$171,000 (2012: HK$234,000) and HK$41,000 (2012: HK$470,000), respectively, are included in "Share of profits and losses of a joint venture and associates" in the consolidated statement of profit or loss.

At 31 December 2013, the Group had tax losses arising in Hong Kong of approximately HK$132,461,000 (2012: HK$132,528,000) in aggregate that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK$125,699,000 (2012: HK$177,497,000) as at 31 December 2013 that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in entities that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rates are 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and the joint venture established in Mainland China in respect of earnings generated from 1 January 2008.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

10. Income Tax *(continued)*

At 31 December 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and the joint venture established in Mainland China (2012: Nil). In the opinion of the directors, it is not probable that these subsidiaries and joint venture will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and the joint venture in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,246,000 (2012: HK$992,000) as at 31 December 2013.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

11. Loss for the Year Attributable to Shareholders of the Company

The consolidated loss attributable to shareholders of the Company for the year ended 31 December 2013 includes a loss of HK$12,144,000 (2012: HK$8,845,000) which has been dealt with in the financial statements of the Company.

A reconciliation of the above amount to the Company's loss for the year is as follows:

	Notes	2013 HK$'000	2012 HK$'000
Amount of consolidated loss for the year attributable to shareholders of the Company dealt with in the financial statements of the Company		**(12,144)**	(8,845)
Impairment of unlisted shares or investment in subsidiaries recognised during the year in the statement of profit or loss	16(b)	**(11)**	(11,041)
Impairment/(reversal of impairment) of amounts due from subsidiaries recognised during the year in the statement of profit or loss	16(c)	**209**	(11,250)
The Company's loss for the year	26(b)	**(11,946)**	(31,136)

12. 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 year attributable to shareholders of the Company and the weighted average of 826,447,821 (2012: 677,460,150) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2013 and 2012 as the convertible bonds and share options of the Company outstanding, as applicable, during these years either have an anti-dilutive effect or have no dilutive effect on the respective basic loss per share amounts for these years.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

13. Property and Equipment

Group

	Leasehold improve-ments HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2013				
At 31 December 2012 and 1 January 2013:				
Cost	5,160	30,670	8,183	44,013
Accumulated depreciation	(2,973)	(23,021)	(5,487)	(31,481)
Net carrying amount	2,187	7,649	2,696	12,532
Net carrying amount:				
At 1 January 2013	2,187	7,649	2,696	12,532
Additions	286	1,806	—	2,092
Depreciation provided during the year	(549)	(1,640)	(301)	(2,490)
Disposals	—	(305)	—	(305)
Disposal of a subsidiary (note 31)	—	(1,444)	(1,064)	(2,508)
Exchange realignment	69	270	87	426
At 31 December 2013	1,993	6,336	1,418	9,747
At 31 December 2013:				
Cost	4,396	29,454	6,586	40,436
Accumulated depreciation	(2,403)	(23,118)	(5,168)	(30,689)
Net carrying amount	1,993	6,336	1,418	9,747
Year ended 31 December 2012				
At 1 January 2012:				
Cost	3,236	28,465	7,434	39,135
Accumulated depreciation	(2,763)	(21,238)	(5,416)	(29,417)
Net carrying amount	473	7,227	2,018	9,718
Net carrying amount:				
At 1 January 2012	473	7,227	2,018	9,718
Additions	1,924	2,354	1,399	5,677
Depreciation provided during the year	(210)	(1,918)	(671)	(2,799)
Disposals	—	(14)	(50)	(64)
At 31 December 2012	2,187	7,649	2,696	12,532

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

13. Property and Equipment *(continued)*

Company

	Leasehold improvements HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2013				
At 31 December 2012 and 1 January 2013:				
Cost	**630**	**602**	**741**	**1,973**
Accumulated depreciation	**(283)**	**(433)**	**(318)**	**(1,034)**
Net carrying amount	**347**	**169**	**423**	**939**
Net carrying amount:				
At 1 January 2013	**347**	**169**	**423**	**939**
Additions	**—**	**221**	**—**	**221**
Depreciation provided during the year	**(126)**	**(25)**	**(145)**	**(296)**
Disposals	**—**	**(4)**	**—**	**(4)**
Exchange realignment	**—**	**4**	**15**	**19**
At 31 December 2013	**221**	**365**	**293**	**879**
At 31 December 2013:				
Cost	**630**	**757**	**789**	**2,176**
Accumulated depreciation	**(409)**	**(392)**	**(496)**	**(1,297)**
Net carrying amount	**221**	**365**	**293**	**879**
Year ended 31 December 2012				
At 1 January 2012:				
Cost	630	544	741	1,915
Accumulated depreciation	(157)	(308)	(271)	(736)
Net carrying amount	473	236	470	1,179
Net carrying amount:				
At 1 January 2012	473	236	470	1,179
Additions	—	58	—	58
Depreciation provided during the year	(126)	(125)	(47)	(298)
At 31 December 2012	347	169	423	939

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

14. Investment Properties

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**45,812**	45,837
Fair value gain/(loss) on revaluation (note 6)	**176**	(25)
Exchange realignment	**1,764**	—
Carrying amount at 31 December	**47,752**	45,812

Details of the investment properties, which are held under medium term leases, are as follows:

Location	**Use**	**Attributable interest of the Group**
Part of the second floor and the entire third floor, A No. 1 Jian Guo Men Wai Avenue, Chao Yang District, Beijing, the PRC	Office building	85.5%

As the investment properties are situated in a location under a proposed redevelopment plan of the Beijing Municipal Government, the investment properties may be subject to demolishment in the near future.

At 31 December 2013, the investment properties were vacant and were revalued based on valuation performed by 中和華(北京)資產評估有限公司, independent professionally qualified valuers registered in the PRC, in accordance with the relevant rules and regulations applicable to the demolishment in the PRC. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuation of the Group's investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussion with the valuer on the valuation assumptions and valuation results annually when the valuation is performed for annual financial reporting.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

14. Investment Properties *(continued)*

Under the valuation method in accordance with the relevant rules and regulations applicable to the demolishment in the PRC, fair value is estimated using assumption regarding the amount that currently would be required to compensate for the owner, which was measured at replacement cost. Principal assumptions include those related to land price and adjusted indices for plot ratio, original use of building and planned use of building.

The Group's investment properties are measured at fair value by applying valuation approach as described above using inputs which are not based on observable market data (unobservable inputs) at the end of each reporting period and such measurement is classified as level 3 in the fair value hierarchy.

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Description of valuation technique used and key inputs to valuation on investment properties:

Class of property	Fair value at 31 December 2013	Valuation technique	Significant unobservable input(s)	Range of unobservable input(s)
Office building	HK$47,752,000	Relevant rules and regulations applicable to the demolishment in the PRC	Land price (per m^2) Building price (per m^2)	RMB9,000 to RMB10,500 RMB1,850

A significant increase/(decrease) in any of the above unobservable inputs in isolation would result in a significant increase/(decrease) in the fair value of the investment properties.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

15. Intangible Assets

Group

	Management information systems HK$'000	Licences HK$'000	Computer software HK$'000	Golf club membership HK$'000	Total HK$'000
Year ended 31 December 2013					
At 31 December 2012 and 1 January 2013:					
Cost	24,691	2,469	3,771	1,875	32,806
Accumulated amortisation	(24,691)	(2,469)	(1,289)	(781)	(29,230)
Net carrying amount	—	—	2,482	1,094	3,576
Net carrying amount:					
At 1 January 2013	—	—	2,482	1,094	3,576
Additions	—	—	630	—	630
Amortisation provided during the year	—	—	(457)	(375)	(832)
Disposal of a subsidiary (note 31)	—	—	(607)	—	(607)
Exchange realignment	—	—	90	—	90
At 31 December 2013	—	—	2,138	719	2,857
At 31 December 2013:					
Cost	24,691	2,469	2,648	1,875	31,683
Accumulated amortisation	(24,691)	(2,469)	(510)	(1,156)	(28,826)
Net carrying amount	—	—	2,138	719	2,857
Year ended 31 December 2012					
At 1 January 2012:					
Cost	24,691	2,469	1,894	1,875	30,929
Accumulated amortisation	(24,691)	(2,469)	(867)	(406)	(28,433)
Net carrying amount	—	—	1,027	1,469	2,496
Net carrying amount:					
At 1 January 2012	—	—	1,027	1,469	2,496
Additions	—	—	1,877	—	1,877
Amortisation provided during the year	—	—	(422)	(375)	(797)
At 31 December 2012	—	—	2,482	1,094	3,576

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

15. Intangible Assets *(continued)*

Company

	Golf club membership	
	2013	2012
	HK$'000	HK$'000
At 1 January:		
Cost	**1,875**	1,875
Accumulated amortisation	**(781)**	(406)
Net carrying amount	**1,094**	1,469
Net carrying amount:		
At 1 January	**1,094**	1,469
Amortisation provided during the year	**(375)**	(375)
At 31 December	**719**	1,094
At 31 December:		
Cost	**1,875**	1,875
Accumulated amortisation	**(1,156)**	(781)
Net carrying amount	**719**	1,094

16. Investments in Subsidiaries

		Company	
		2013	2012
	Notes	**HK$'000**	HK$'000
Unlisted shares or investments, at cost		**235,414**	235,414
Due from subsidiaries	(a)	**398,628**	408,954
		634,042	644,368
Accumulated impairment of unlisted shares or investments	(b)	**(152,102)**	(152,091)
Accumulated impairment of amounts due from subsidiaries	(c)	**(292,688)**	(292,897)
		(444,790)	(444,988)
		189,252	199,380

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

16. Investments in Subsidiaries *(continued)*

Notes:

(a) The amounts due from subsidiaries included in investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of directors, these advances are considered as quasi-equity loans to the subsidiaries.

(b) The movement in the provision for impairment of unlisted shares or investments in subsidiaries during the year is as follows:

	Company	
	2013	2012
	HK$'000	HK$'000
At 1 January	**152,091**	141,050
Impairment during the year recognised in the statement of profit or loss (note 11)	**11**	11,041
At 31 December	**152,102**	152,091

An impairment provision of HK$11,000 (2012: HK$11,041,000) was recognised in the Company's statement of profit or loss because these relevant subsidiaries are loss making as a result of less than expected contracts concluded and future growth rate is expected to decline as a result of increase in market competition.

(c) The movement in the provision for impairment of the amounts due from subsidiaries during the year is as follows:

	Company	
	2013	2012
	HK$'000	HK$'000
At 1 January	**292,897**	281,647
Impairment/(reversal of impairment) during the year recognised in the statement of profit or loss (note 11)	**(209)**	11,250
At 31 December	**292,688**	292,897

(d) Particulars of the principal subsidiaries, which are all indirectly held by the Company, are as follows:

Name	Place of registration and business	Nominal value of issued and paid-up capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
Beijing Enterprises Teletron Information Technology Co., Ltd. #	PRC/ Mainland China	RMB100,000,000	72	System integration and provision of IT technical support and consultation services
Beijing Enterprises Jetrich (Beijing) Limited #	PRC/ Mainland China	US$2,450,000	72	Provision of total education solutions
Beijing Development Property Investment and Management Co., Ltd. *	PRC/ Mainland China	US$4,000,000	85.5	Property investment

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

16. Investments in Subsidiaries *(continued)*

Notes: *(continued)*

(d) *(continued)*

Name	Place of registration and business	Nominal value of issued and paid-up capital/ registered capital	Percentage of equity attributable to the Group	Principal activities
北京捷通瑞奇信息技術有限公司 Ω	PRC/ Mainland China	RMB5,000,000	63	System integration and provision of IT technical support services
北控軟件有限公司 Ω	PRC/ Mainland China	RMB50,000,000	68.4	Provision of management information system services
Beijing Enterprises UniCard Co., Ltd. Ω	PRC/ Mainland China	HK$50,000,000	60	Operation of electronic payment cards

Registered as wholly-owned enterprises under PRC law
Ω Registered as limited liability companies under PRC law
* Registered as a Sino-foreign joint venture under PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(e) **Material non-wholly owned subsidiaries**

The following table lists out the information relating to each of the Group's subsidiaries that has material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

Percentage of equity interests held by non-controlling interests:

Name	Place of incorporation and business	2013	2012
BE Information Technology Group Limited	British Virgin Islands/ Mainland China	28%	28%
Business Net (Hong Kong) Limited	Hong Kong/ Mainland China	40%	40%

Accumulated balances of material non-controlling interests at the reporting dates:

Name	2013 HK$'000	2012 HK$'000
BE Information Technology Group Limited	23,162	23,276
Business Net (Hong Kong) Limited	(13,110)	(10,494)
	10,052	12,782

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

16. Investments in Subsidiaries *(continued)*

Notes: *(continued)*

(e) Material non-wholly owned subsidiaries *(continued)*

Loss for the year allocated to material non-controlling interests:

Name	2013 HK$'000	2012 HK$'000
BE Information Technology Group Limited	**(1,283)**	(4,536)
Business Net (Hong Kong) Limited	**(2,947)**	(2,780)
	(4,230)	(7,316)

There was no dividend declared or paid to non-controlling interests during the years ended 31 December 2013 and 2012.

The following tables illustrate the summarised consolidated financial information of BE Information Technology Group Limited and Business Net (Hong Kong) Limited. The amounts disclosed are before any inter-company eliminations:

(i) BE Information Technology Group Limited

	2013 HK$'000	2012 HK$'000
Revenue	**187,213**	190,539
Total expenses	**(190,938)**	(206,114)
Loss for the year	**(3,725)**	(15,575)
Total comprehensive loss for the year	**(348)**	(15,575)
Current assets	**270,081**	239,994
Non-current assets	**33,290**	35,835
Current liabilities	**(232,625)**	(200,790)
Non-current liabilities	**(6,863)**	(11,036)
Net cash flows from/(used in) operating activities	**33,173**	(55,726)
Net cash flows from/(used in) investing activities	**489**	(4,812)
Net increase/(decrease) in cash and cash equivalents	**33,662**	(60,538)

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

16. Investments in Subsidiaries *(continued)*

Notes: *(continued)*

(e) Material non-wholly owned subsidiaries *(continued)*

(ii) Business Net (Hong Kong) Limited

	2013 HK$'000	2012 HK$'000
Revenue	5,792	17,237
Total expenses	(13,159)	(24,186)
Loss for the year	(7,367)	(6,949)
Total comprehensive loss for the year	(6,540)	(6,949)
Current assets	26,714	36,860
Non-current assets	379	745
Current liabilities	(59,868)	(63,840)
Net cash flows from/(used in) operating activities	(8,118)	2,482
Net cash flows from investing activities	471	190
Net increase/(decrease) in cash and cash equivalents	(7,647)	2,672

17. Investment in a Joint Venture

	Group	
	2013 HK$'000	2012 HK$'000
Share of net assets	11,986	12,352

Notes:

(a) Particulars of the Group's joint venture, which is indirectly held by the Company, was registered in the PRC and operates in Mainland China, are as follows:

		Percentage of			
Name	Paid-up and registered capital	Ownership interest	Voting power	Profit sharing	Principal activity
北京教育信息網服務中心有限公司	RMB12,000,000	36	50	36	Provision of information network services

(b) The Group's balances of other receivables and trade payables with a joint venture are disclosed in notes 22 and 27 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

17. Investment in a Joint Venture *(continued)*

Notes: *(continued)*

(c) The following table illustrates the summarised financial information of the Group's joint venture adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2013 HK$'000	2012 HK$'000
Cash and cash equivalents	29,543	26,608
Other current assets (excluding cash and cash equivalents)	21,324	3,857
Current assets	50,867	30,465
Non-current assets	1,978	1,545
Trade and other payables and accruals	(6,753)	(4,140)
Other current liabilities (excluding trade and other payables and accruals)	(22,120)	(2,028)
Current liabilities	(28,873)	(6,168)
Non-controlling interests	—	(1,137)
Net assets	23,972	24,705
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment	11,986	12,352
Revenue	76,619	74,293
Interest income	123	653
Depreciation and amortisation	(581)	(1,021)
Tax	(342)	(469)
Profit/(loss) for the year	(757)	1,103
Total comprehensive income/(loss) for the year	(757)	1,103

18. Investments in Associates

	Notes	Group 2013 HK$'000	Group 2012 HK$'000
Share of net assets		25,910	24,063
Due from an associate	(a)	15,798	15,767
		41,708	39,830
Impairment of the amount due from an associate	(b)	(15,798)	(15,767)
		25,910	24,063

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

18. Investments in Associates *(continued)*

Notes:

(a) The balance with the associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, the advance is considered as a quasi-equity loan to the associate. The Group's balances of trade payables and other payables with associates are disclosed in notes 27 and 30 to the financial statements, respectively.

(b) The movement in the provision for impairment of the amount due from an associate during the year is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**15,767**	15,734
Impairment during the year recognised in the statement of profit or loss (note 6)	**31**	33
At 31 December	**15,798**	15,767

(c) Particulars of the principal associates, which are all indirectly held by the Company, are as follows:

Name	Nominal value of issued and paid-up capital/registered capital	Place of registration/ incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
CITD*	HK$89,849,064	Cayman Islands/ Hong Kong	21.10	Investment holding
Overseas Union Investments Limited	HK$10,000	Hong Kong	50	Investment holding
北京北控電信通智能科技有限公司	RMB10,000,000	PRC/ Mainland China	25	Provision for system integration services

* CITD is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network. Shares of CITD are listed on the Growth Enterprise Market of the Stock Exchange. The fair value of the ordinary shares of CITD held by the Group as at 31 December 2013, based on its then published price quotation, amounted to approximately HK$27,300,000.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

18. Investments in Associates *(continued)*

Notes: *(continued)*

(d) The following tables illustrate the summarised financial information of CITD, which is considered a material associate of the Group, and is accounted for using equity method, adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

CITD

	2013 HK$'000	2012 HK$'000
Current assets	119,973	194,539
Non-current assets	23,693	43,291
Current liabilities	(24,105)	(63,717)
Non-current liabilities	—	(21,312)
Non-controlling interests	978	(18,326)
Net assets	120,539	134,475
Net assets, excluding goodwill	108,539	100,460
Reconciliation to the Group's interest in the associate:		
Approximate proportion of the Group's ownership	21.1%	21.1%
Group's share of net assets of the associate, excluding goodwill	22,898	21,197
Carrying amount of the investment	22,898	21,197
Revenue	60,936	107,605
Profit/(loss) for the year	12,933	(7,983)
Other comprehensive income/(loss)	(4,790)	781
Total comprehensive income/(loss) for the year	8,143	(7,202)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 HK$'000	2012 HK$'000
Share of the associates' profit for the year	37	35
Share of the associates' total comprehensive income for the year	37	35
Aggregate carrying amount of the Group's investments in associates	3,012	2,866

19. Inventories

Inventories of the Group are IT related materials and equipment held for trading.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

20. Amounts Due from/to Contract Customers

	Group	
	2013	2012
	HK$'000	HK$'000
Amounts due from contract customers	**1,331**	909
Amounts due to contract customers	**(1,585)**	(7,173)
	(254)	(6,264)
Contract costs incurred plus recognised profits less recognised losses to date	**63,860**	49,919
Less: Progress billings	**(64,114)**	(56,183)
	(254)	(6,264)

At 31 December 2013, retentions held by customers for contract work included in trade receivables amounted to HK$361,000 (2012: HK$554,000) and advances received from customers for contract works included in other payables and accruals amounted to HK$1,773,000 (2012: HK$232,000).

21. Trade Receivables

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Trade receivables due from:			
Third parties		**95,382**	109,756
A non-controlling equity holder	(a)	**3,292**	128
		98,674	109,884
Impairment	(b)	**(22,895)**	(21,422)
	(c)	**75,779**	88,462
Portion classified as current assets		**(68,101)**	(78,781)
Non-current portion		**7,678**	9,681

Notes:

(a) The balance with a non-controlling equity holder is repayable on credit terms similar to those offered to the major customers of the Group.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

21. Trade Receivables *(continued)*

Notes: *(continued)*

(b) The movements in the provision for impairment of trade receivables during the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**21,422**	20,491
Impairment during the year recognised in the statement of profit or loss, net (note 6)	**641**	931
Exchange realignment	**832**	—
At 31 December	**22,895**	21,422

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$22,895,000 (2012: HK$21,422,000) with a carrying amount before provision of HK$24,478,000 (2012: HK$22,320,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

(c) 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. Trade receivables are non-interest-bearing and the Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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:

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**40,959**	60,246
Past due but not impaired:		
Within 3 months	**20,363**	25,732
4 to 6 months	**—**	1,124
7 to 12 months	**1,748**	411
Over 1 year	**12,709**	949
	34,820	28,216
	75,779	88,462
Portion classified as current assets	**(68,101)**	(78,781)
Non-current portion	**7,678**	9,681

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

22. Prepayments, Deposits and Other Receivables

		Group		Company	
	Notes	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Prepayments		**56,615**	52,895	**33,582**	33,133
Deposits and other receivables		**21,335**	18,594	**3,757**	1,930
Due from BEGCL	(a)	**—**	47,595	**—**	—
Loan to a subsidiary	(b)	**—**	—	**7,692**	7,407
Due from subsidiaries	(b)	**—**	—	**28,882**	24,723
Due from fellow subsidiaries	(b)	**82**	—	**—**	—
Due from a joint venture	(b)	**485**	—	**—**	—
Due from non-controlling equity holders	(b)	**2,916**	4,304	**—**	1,852
Due from other related companies	(b)	**314**	190	**56**	—
		81,747	123,578	**73,969**	69,045
Impairment	(c)	**(12,032)**	(6,552)	**(1,923)**	—
	(d)	**69,715**	117,026	**72,046**	69,045
Portion classified as current assets		**(36,894)**	(85,421)	**(39,225)**	(37,440)
Non-current portion	(e)	**32,821**	31,605	**32,821**	31,605

Notes:

(a) The amount due from BEGCL as at 31 December 2012 represented the outstanding consideration receivable in connection with the Group's disposal of its 43% equity interest in 北京市政交通一卡通有限公司 ("BMAC") to BEGCL during the year ended 31 December 2011.

(b) The balances with subsidiaries, fellow subsidiaries, a joint venture, non-controlling equity holders and related companies are unsecured, interest-free and have no fixed terms of repayment.

(c) The movements in provision for impairment of other receivables during the year are as follows:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
At 1 January	**6,552**	6,436	**—**	—
Impairment during the year recognised in the statement of profit or loss, net (note 6)	**5,186**	116	**1,923**	—
Exchange realignment	**294**	—	**—**	—
At 31 December	**12,032**	6,552	**1,923**	—

The above provision for impairment of other receivables is a provision for individually impaired other receivables.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

22. Prepayments, Deposits and Other Receivables *(continued)*

Notes: *(continued)*

(d) Other than the aforementioned impaired other receivables, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to the receivables for which there was no recent history of default.

(e) 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 ("Hong Chuang"), a fellow subsidiary of the Company, pursuant to which the Company agreed to purchase the property situated in Mainland China (the "Property") at a cash consideration of RMB32,000,000 (equivalent to HK$41,026,000). At 31 December 2013, the non-current portion represented the prepayment of RMB25,600,000 (equivalent to HK$32,821,000) (2012: HK$31,605,000) paid to Hong Chuang. Further details of the transaction are set out in the Company's announcement dated 14 February 2012. At the date of approval of these financial statements, the transaction has not yet been completed.

23. Pledged Deposits and Cash and Cash Equivalents

		Group		Company	
	Notes	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Cash and bank balances other than time deposits	(a)	**218,543**	304,373	**76,464**	149,367
Time deposits	(a)	**958,647**	348,456	**918,718**	291,358
Less: Pledged deposits	(b)	**(3,200)**	(5,779)	**—**	—
Cash and cash equivalents		**1,173,990**	647,050	**995,182**	440,725

Notes:

(a) At 31 December 2013, the total cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$421,716,000 (2012: HK$441,172,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

(b) The Group's pledged deposits as at 31 December 2013 and 2012 served as tender deposits to secure certain system integration contracts of the Group.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

24. Share Capital

Shares

	2013 HK$'000	2012 HK$'000
Authorised:		
5,000,000,000 (2012: 1,000,000,000) ordinary shares of HK$1 each (note (a))	**5,000,000**	1,000,000
Issued and fully paid:		
854,960,150 (2012: 677,460,150) ordinary shares of HK$1 each	**854,960**	677,460

A summary of the movements in the Company's issued share capital during the year is as follows:

	Notes	Number of ordinary shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2012, 31 December 2012 and 1 January 2013		**677,460,150**	**677,460**	**170,319**	**847,779**
Issue of new shares	(b)	**177,000,000**	**177,000**	**23,010**	**200,010**
Exercise of share options (note 25(c))	(c)	**500,000**	**500**	**125**	**625**
Transfer from share option reserve		**—**	**—**	**229**	**229**
Share issue expense	(b)	**—**	**—**	**(791)**	**(791)**
		854,960,150	**854,960**	**192,892**	**1,047,852**

Notes:

(a) On 11 January 2013, as approved by the shareholders of the Company at an extraordinary general meeting, the authorised share capital of the Company was increased from HK$1,000,000,000 to HK$5,000,000,000 by the creation of an additional 4,000,000,000 ordinary shares of HK$1 each.

(b) On 28 February 2013, 177,000,000 new ordinary shares of HK$1 each were issued at a price of HK$1.13 per share to Idata with net proceeds of HK$199,219,000. Further details of the transaction are set out in the Company's circular dated 21 December 2012 and announcement dated 28 February 2013.

(c) On 10 October 2013, the subscription rights attaching to 500,000 share options were exercised by an employee of the Company at the subscription price of HK$1.25 per share, resulting in the issue of 500,000 ordinary shares of HK$1 each for a total cash consideration of HK$625,000.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

24. Share Capital *(continued)*

Share options

Details of the Company's share option scheme (the "Scheme") and the share options issued under the Scheme are included in note 25 to the financial statements.

25. Share Option Scheme

The purpose of the Scheme is (i) to attract and retain the best quality personnel for the development of the Company's business; (ii) to provide incentives or rewards to eligible participants; and (iii) to promote the long term financial success of the Company by aligning the interests of grantees to shareholders. Eligible participants of the Scheme include (i) any person employed by the Company or a subsidiary of the Company and any person who is an officer or director (whether executive or non-executive) of the Company or any subsidiary of the Company; (ii) any non-executive director and any independent non-executive director, or officer of any member of the Group; and (iii) any consultant of any member of the Group. The Scheme became effective on 31 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

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

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of offer of the share options; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's ordinary shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The share options are non-transferrable and lapse when expire or three months from the date on which the grantee ceases to be an employee of the Group.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

25. Share Option Scheme *(continued)*

The following table sets out the movements in the share options granted under the Scheme during the years ended 31 December 2013 and 2012:

	Notes	Number of share options 2013	2012
At 1 January		**51,420,000**	51,420,000
Exercised during the year	(c)	**(500,000)**	—
At 31 December	(d)	**50,920,000**	51,420,000

Notes:

(a) The exercise price of the share options is HK$1.25 per share, which is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. The share options are exercisable during the period from 21 June 2011 to 20 June 2021.

(b) No share option was granted, forfeited and lapsed during the years ended 31 December 2013 and 2012.

(c) 500,000 share options at the exercise price of HK$1.25 per share were exercised by an employee of the Company during the year ended 31 December 2013 (2012: Nil), resulting in issue of 500,000 ordinary shares of HK$1 each for a total cash consideration of HK$625,000.

(d) At 31 December 2013 and the date of approval of these financial statements, the Company had 50,920,000 (2012: 51,420,000) share options outstanding under the Scheme, which represented approximately 6.0% (2012: 6.0%) of the Company's ordinary shares in issue at that date of approval of these financial statements.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 50,920,000 (2012: 51,420,000) additional ordinary shares of the Company and additional share capital of HK$50,920,000 (2012: HK$51,420,000) and share premium of HK$12,730,000 (2012: HK$12,855,000), before any issuance expenses.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

26. Reserves

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31 of the financial statements.

(ii) The capital redemption reserve represents the par value of ordinary shares of the Company which had been repurchased and cancelled in prior years.

(iii) The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits/accumulated losses should the related share options expire or be forfeited.

(iv) PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's PRC subsidiaries. None of the Group's PRC reserve funds as at 31 December 2013 was distributable in the form of cash dividends (2012: Nil).

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012		170,319	9,721	27,882	—	(206,238)	1,684
Loss and total comprehensive loss for the year	11	—	—	—	—	(31,136)	(31,136)
At 31 December 2012 and 1 January 2013		**170,319**	**9,721**	**27,882**	**—**	**(237,374)**	**(29,452)**
Loss and total comprehensive loss for the year	11	**—**	**—**	**—**	**—**	**(11,946)**	**(11,946)**
Issue of new shares	24	**23,010**	**—**	**—**	**—**	**—**	**23,010**
Issue of shares upon exercise of share options	25(c)	**354**	**—**	**(229)**	**—**	**—**	**125**
Share issue expense	24	**(791)**	**—**	**—**	**—**	**—**	**(791)**
Issue of convertible bonds	28	**—**	**—**	**—**	**31,971**	**—**	**31,971**
At 31 December 2013		**192,892**	**9,721**	**27,653**	**31,971**	**(249,320)**	**12,917**

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

27. Trade and Bills Payables

The trade and bills payables are non-interest-bearing and normally settled within one to three months, with credit periods 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 the payment due date, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Not past due	**50,666**	66,872
Past due:		
Less than 3 months	**55,231**	10,015
4 to 6 months	**—**	3
7 to 12 months	**2,018**	609
Over 1 year	**15,338**	13,495
	72,587	24,122
	123,253	90,994
Portion classified as current liabilities	**(116,390)**	(79,958)
Non-current portion	**6,863**	11,036
Comprising amounts payable to:		
Third parties	**117,234**	86,470
A joint venture	**646**	173
Associates	**5,373**	4,351
	123,253	90,994

The balances with a joint venture and associates have credit terms similar to those offered by the joint venture and associates to their major customers.

28. Convertible Bonds

On 28 February 2013, pursuant to the conditional subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto) entered into between the Company, Idata, as subscriber, and Beijing Enterprises Holdings Limited ("BEHL", an intermediate holding company of the Company whose shares are listed on the Stock Exchange), as guarantor, inter alia, convertible bonds of the Company with an aggregate principal amount of HK$300,580,000 and an initial conversion price of HK$1.13 per share were issued to Idata. The convertible bonds bear interest at 1% per annum and have a maturity of five years. In additions, subject to the Company's satisfaction of certain pre-conditions to give notice within one year from 28 February 2013, the Company shall have the discretion to notify Idata at any time during the term of the convertible bonds to require Idata to subscribe for such amount of standby convertible bonds of an aggregate principal amount of HK$3,000,150,000 at the initial conversion price of HK$1.13 per share, as the Company may, from time to time, consider appropriate. Further details of the transactions are set out in the Company's circular dated 21 December 2012 and the Company's announcement dated 28 February 2013.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

28. Convertible Bonds *(continued)*

The Company's convertible bonds are bifurcated into liability and equity components for accounting purpose. The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

A summary of the movements in the principal amount, liability and equity components of the Company's convertible bonds during the year is as follows:

	Group and Company		
	Principal Amount HK$'000	**Liability component HK$'000**	**Equity component HK$'000**
At 1 January 2012, 31 December 2012 and 1 January 2013	—	—	—
Issue of convertible bonds	**300,580**	**267,420**	**31,971**
Imputed interest expense (note 7)	—	**5,121**	—
At 31 December 2013	**300,580**	**272,541**	**31,971**

The carrying amount of the liability component of the convertible bonds approximated to its fair value as at 31 December 2013.

29. Deferred Income

Deferred income of the Group as at 31 December 2012 represented government grants received from a government authority in Mainland China in respect of the businesses carried out by BG Culture. The government grants shall be applied to the development of the Group's fitness card system business and are recognised in accordance with the accounting policy for "Government grants" set out in note 2.4 to the financial statements.

30. Other Payables and Accruals

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Receipts in advance	**35,433**	39,220	—	—
Other payables	**30,010**	34,165	**3,455**	3,432
Accruals	**9,324**	4,976	**7,462**	3,165
Due to subsidiaries	—	—	**104,856**	54,892
Due to associates	**1,937**	2,099	—	—
Due to a non-controlling equity holder	**20,000**	20,000	—	—
Due to other related companies	**1,887**	1,686	**1,887**	1,686
	98,591	102,146	**117,660**	63,175

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

30. Other Payables and Accruals *(continued)*

The balances with subsidiaries, associates, a non-controlling equity holder and related companies are unsecured, interest-free and have no fixed terms of repayment.

Other payables are non-interest-bearing and have an average term of three to six months in general.

31. Disposal of a Subsidiary

On 5 February 2013, Business Net Limited, a direct wholly-owned subsidiary of the Company, entered into an equity transfer agreement with QIFA Holdings Limited, an indirectly wholly-owned subsidiary of BEGCL, for the transfer of its entire issued share capital of Alison Development Limited ("Alison"), an indirectly wholly-owned subsidiary of the Company, and the indebtedness advanced by the Company to Alison for a cash consideration of HK$8,500,000. Alison is an investment holding company and its sole investment is a 59.5% equity interest in BG Culture. The 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 the transaction are set out in the Company's announcement dated 5 February 2013. The transaction was completed on 6 February 2013.

	Notes	2013 HK$'000
Net assets disposed of:		
Property and equipment	13	2,508
Intangible assets	15	607
Prepayments, deposits and other receivables		10,607
Cash and cash equivalents		56,538
Other payables and accruals		(13,415)
Deferred income		(44,285)
Non-controlling interests		(4,903)
		7,657
Exchange fluctuation reserve realised		(706)
Transaction cost		14
Gain on disposal of a subsidiary	5	1,535
Satisfied by cash		8,500

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

31. Disposal of a Subsidiary *(continued)*

An analysis of net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2013 HK$'000
Cash consideration	8,500
Cash and cash equivalents disposed of	(56,538)
Transaction cost paid	(14)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(48,052)

32. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2013 (2012: Nil).

At 31 December 2013, contingent liabilities of the Company not provided for in the financial statements comprised guarantees of HK$142,203,000 (2012: HK$222,222,000), in aggregate, given to banks in connection with the banking facilities granted to a subsidiary, which were utilised up to HK$13,998,000 (2012: HK$57,854,000) as at 31 December 2013.

33. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from one to three years (2012: one to three years).

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Within one year	5,380	4,403
In the second to fifth years, inclusive	3,735	6,953
	9,115	11,356

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

34. Capital Commitments

At 31 December 2013, in addition to the operating lease commitments detailed in note 33 above, the Group and the Company had capital commitments as follows:

		Group		Company	
	Notes	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Contracted, but not provided for:					
Property		**8,205**	7,901	**8,205**	7,901
Authorised, but not contracted for:					
Equipment	(a)	**—**	18,787	**—**	—
Intangible assets	(a)	**—**	8,919	**—**	—
		—	27,706	**—**	—
		8,205	35,607	**8,205**	7,901

Notes:

(a) These commitments related to BG Culture which were disposed of by the Group in 2013, details of the disposal are set out in note 31 to the financial statements.

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

(i) 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 (an indirect wholly-owned subsidiary of BEHL) 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 approval of these financial statements, the concrete investment and cooperation arrangements are subject to further negotiations and the legal documents to be entered into by the relevant parties.

(ii) 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 (collectively the "Lvhaineng Shareholders") for injecting capital into 北京綠海能環保有限責任公司 ("Lvhaineng") for investing, constructing and operating the renewable energy power generation project (the "Haidian Project") in Beijing, the PRC. Pursuant to the Increase of Capital Contract, BDEP Haidian will (i) inject RMB256,000,000 (equivalent to approximately HK$328,205,000) to Lvhaineng as an additional registered capital of Lvhaineng; (ii) inject a maximum amount of RMB27,550,000 (equivalent to approximately HK$35,321,000) as an equity premium of Lvhaineng and (iii) make available shareholder's loans of an aggregate amount of RMB644,000,000 (equivalent to approximately HK$825,641,000) to Lvhaineng. These transactions constitute a very substantial acquisition of the Company and are subject to the shareholders' approval requirements under Chapter 14 of the Listing Rules.

Further details of transactions are set out in the Company's announcement dated 28 June 2012. At the date of approval of these financial statements, these transactions, which are subject to, inter alia, approvals from the Stock Exchange and the shareholders of the Company, have not yet been completed.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

35. Related Party Disclosures

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

	Notes	Group 2013 HK$'000	2012 HK$'000
With associates:			
Purchases of goods from an associate	(i)	—	110
Sub-contracting fee paid to an associate	(i)	302	2,949
With a joint venture:			
Sub-contracting fee paid to a joint venture	(ii)	1,016	—
With a non-controlling equity holder:			
Service income received from a non-controlling equity holder	(iii)	7,363	9,630
Sales of products to a non-controlling equity holder	(iii)	10,586	1,200
Software development income received from a non-controlling equity holder	(iii)	3,603	—
With other related companies:			
Purchases of goods from a joint venture of a holding company #	(iv)	3,907	5,057
Property services fee paid to Hong Chuang #*	(v)	1,739	1,492
Rental expenses paid to Beijing Enterprises (Properties) Limited @*	(vi)	230	240

\# These transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

@ These transactions constitute continuing connected transactions that are exempted from the reporting, announcement and independent shareholders' approval requirements as defined in Chapter 14A of the Listing Rules.

* During the year ended 31 December 2013, pursuant to the completion of the subscription agreement as further detailed in note 24(b) to the financial statements, certain substantial shareholders as at 31 December 2012 became the holding companies of the Company and subsidiaries of such substantial shareholders became fellow subsidiaries of the Company.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

35. Related Party Disclosures *(continued)*

(a) *(continued)*

Notes:

(i) The purchase prices of goods from 北京北控偉仕軟件工程技術有限公司 and the sub-contracting fee paid to 北京北控電信通智能科技有限公司 were mutually agreed between the parties.

(ii) The sub-contracting fee paid to 北京教育信息網服務中心有限公司 was mutually agreed between the parties.

(iii) The service income and software development income received from and sales of products to 北京教育網絡和信息中心 were mutually agreed between the parties.

(iv) The purchase prices of goods from BMAC were mutually agreed between the parties under the framework agreement dated 30 March 2012 regarding the supplies of merchandise and related services of municipal administration and communications card, namely "一卡通", to the Group. Further details of the transactions are set out in the Company's announcement dated 30 March 2012.

(v) The property services fee payable to Hong Chuang was determined in accordance with the property services contract (the "Property Services Contract") dated 31 December 2012, pursuant to which Hong Chuang will provide property management services in respect of the public areas and public installation and facilities of the Property. Further details of the Property Services Contract are set out in the Company's announcement dated 31 December 2012.

(vi) The rental expenses payable to Beijing Enterprises (Properties) Limited was determined by reference to the prevailing market rentals.

(b) Commitments with related parties

(i) As disclosed in note 22(e) to the financial statements, the Company has commitment of the balance of consideration of RMB6,400,000 (equivalent to HK$8,205,000) payable to Hong Chuang upon the completion of the acquisition of the Property.

(ii) As disclosed in note 35(a)(v) to the financial statements, the Company has commitment of the payment of fixed property management fee to Hong Chuang of RMB166,000 (equivalent to HK$213,000) for the year ending 31 December 2014.

(c) Outstanding balances with related parties

(i) Details of the Group's amounts due from an associate as at the end of the reporting period included as non-current assets are disclosed in note 18 to the financial statements.

(ii) Details of the Group's trade receivables and prepayment and other receivables due from non-controlling equity holders, BEGCL, fellow subsidiaries, a joint venture and other related companies as at the end of the reporting period are disclosed in notes 21 and 22 to the financial statements, respectively.

(iii) Details of the Group's trade and bills payables and other payables due to a joint venture, associates, a non-controlling equity holder and other related companies as at the end of the reporting period are disclosed in notes 27 and 30 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

35. Related Party Disclosures *(continued)*

(d) Compensation of key management personnel of the Group

	2013 HK$'000	2012 HK$'000
Short term employee benefits	**4,856**	4,875
Post-employment benefits	**323**	362
Total compensation paid to key management personnel	**5,179**	5,237

Further details of directors' emoluments are included in note 8 to the financial statements.

(e) Transactions with other state-owned entities in Mainland China

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "Other SOEs"). During the year, the Group has transactions with Other SOEs including, but not limited to, bank deposits and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are Other SOEs. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

36. Financial Instruments by Category

All financial assets and liabilities of the Group and the Company as at 31 December 2013 and 2012 were loans and receivables and financial liabilities stated at amortised cost, respectively.

37. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and short term deposits. These financial instruments are used for the Group's working capital. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The carrying amounts of the Group's financial instruments approximated to their fair values as at the end of each reporting period as financial instruments included in current assets and current liabilities are with short term maturities and financial instruments included in non-current assets and non-current liabilities are discounted at effective interest rates. Accordingly, no separate disclosure of the fair values of the Group's financial instruments is made in the financial statements.

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

37. Financial Risk Management Objectives and Policies *(continued)*

(a) Interest rate risk

The following table sets out the carrying amounts of the Group's financial instruments as at the end of the reporting period that are exposed to interest rate risk. All these financial instruments will be matured within one year:

	HK$'000	Effective interest rate %
At 31 December 2013		
Floating rate:		
Pledged deposits	**3,200**	**0.37**
Bank balances	**214,741**	**0.30**
Fixed rate:		
Time deposits	**958,647**	**1.55**
At 31 December 2012		
Floating rate:		
Pledged deposits	5,779	0.68
Bank balances	298,135	0.33
Fixed rate:		
Time deposits	348,455	2.85

(b) Foreign currency risk

The Group's businesses are mainly carried out by subsidiaries located in Mainland China and the majority of its transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency, and the net assets of the Group's investments in these Mainland China subsidiaries are exposed to foreign currency translational risk.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

37. Financial Risk Management Objectives and Policies *(continued)*

(b) Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax and of the Group's equity resulted from the translation of the Group's foreign operations.

	Increase/ (decrease) in RMB rate	Decrease/ (increase) in loss before tax	Increase/ (decrease) in equity
	%	HK$'000	HK$'000
2013			
If HK$ weakens against RMB	**5**	**(457)**	**7,052**
If HK$ strengthens against RMB	**(5)**	**457**	**(7,052)**
2012			
If HK$ weakens against RMB	5	(1,043)	8,027
If HK$ strengthens against RMB	(5)	1,043	(8,027)

(c) Credit risk

The carrying amount of trade receivables, other receivables and cash and cash equivalents included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

The Group trades only with recognised and creditworthy third parties and receivable balances are monitored on an ongoing basis, therefore the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. At 31 December 2013, the Group had certain concentration of credit risk as 48% (2012: 56%) and 63% (2012: 67%) of the total trade receivables were due from the Group's largest external customer and the Group's top five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

The Group places its cash deposits with major international banks in Hong Kong and state-owned banks in Mainland China. This investment policy limits the Group's exposure to the concentration of credit risk.

The credit risk of the Group's other financial assets, which comprise amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

37. Financial Risk Management Objectives and Policies *(continued)*

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g., trade receivables) and projected cash flows from operations.

Financial liabilities of the Group and the Company included in current liabilities as at the end of the reporting period either had no fixed terms of repayment or were due for repayment within one year. Trade payables included in non-current liabilities are due for repayment within two to five years. The Company is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 32 to the financial statements

The liquidity risk of the Group is considered minimal as the Group is able to maintain adequate cash inflows from operations and there is no requirement to obtain external financing to finance the working capital of the Group.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group's objective for managing capital is to maintain a strong capital base to support the development of its business. The Group recognises the impact on shareholder returns by the level of equity capital employed within the Group and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possibly with greater leverage.

An annual capital plan of the Group is prepared and approved by the board of directors with the objective of maintaining both the optimal amount of capital and the mix between the different components of capital. The Group manages its own capital within the context of the approved annual capital plan, which determines the level of risk-weighted asset growth and the optimal amount and mix of capital required to support the planned business growth. As part of the Group's capital management policy, capital generated by subsidiaries in excess of planned requirements will return to the Group, normally by way of dividends.

The Company is primarily a provider of equity capital to its subsidiaries. These investments are substantially funded by the Group's own capital issuance. The Group seeks to maintain a prudent balance between the composition of its capital and that of its investments in subsidiaries.

The principal forms of capital are included in issued capital and reserves in the consolidated statement of financial position.

38. Other Financial Information

The net current assets and total assets less current liabilities of the Group as at 31 December 2013 amounted to HK$1,069,715,000 (2012: HK$630,040,000) and HK$1,208,466,000 (2012: HK$769,661,000), respectively.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2013

39. Events after the Reporting Period

Subsequent to the end of the reporting period, the following significant events occurred:

(a) On 24 February 2014, the Company entered into a sale and purchase agreement with KCS Green Energy International (Group) Investments Company Limited (the "Vendor"), pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell all of the issued shares of each of KCS Taian Investments Company Limited and KCS Changde Investments Company Limited (collectively the "Target Companies") and the shareholder loans owing by the Target Companies to the Vendor at an aggregate consideration of RMB520,000,000 (equivalent to approximately HK$666,430,000) (the "Acquisition"). The consideration will be satisfied as to RMB86,790,000 (equivalent to approximately HK$111,230,000) in cash, and as to RMB433,210,000 (equivalent to approximately HK$555,200,000) by the issue of 347,000,000 ordinary shares of the Company at an issue price of HK$1.60 per share.

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules. Further details of the Acquisition are set out in the Company's announcements dated 29 January 2014 and 24 February 2014 and circular dated 27 March 2014, respectively. At the date of approval of these financial statements, the Acquisition, which is subject to, inter alia, approval from the shareholders of the Company, has not yet been completed.

(b) In January 2014, CITD announced an open offer for the subscription of shares in the proportion of two shares for every share held on the record date as set out in CITD's announcement dated 6 March 2014 (the "Open Offer"). On 7 March 2014, the Open Offer was completed and CITD allotted and issued approximately 1,797 million shares at the price of HK$0.11 per share. As the Group did not accept the shares entitled under the Open Offer, the number of CITD's shares held by the Group remained at approximately 190 million. As a result, upon completion of the Open Offer, the number of issued shares of CITD increased from approximately 898 million to 2,695 million and the Group's equity interest in CITD was diluted from approximately 21.1% to 7.03%.

Since the Group's equity interest in CITD is less than 20% and the Group is no longer in a position to exercise significant influence over CITD after the completion of the Open Offer, the Group's investment in CITD was subsequently reclassified from "investment in associates" to "available-for-sale investment". The Group is not yet in a position to disclose any financial impact of the deemed partial disposal of interests in CITD on the Group.

40. Comparative Presentation

Owing to the Company became a subsidiary of BEHL during the year, the presentation of the consolidated profit or loss, consolidated statement of financial position, consolidated statement of cash flows and relevant disclosure notes to the financial statements have been reclassified to align with those of BEHL.

41. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Company's published audited financial statements, is set out below:

	Year ended 31 December				
	2013 **HK$'000**	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
RESULTS					
Revenue	**193,067**	208,387	185,184	211,639	225,376
Profit/(loss) before tax	**(29,152)**	(26,515)	57,516	(26,176)	(166,542)
Income tax	**40**	(135)	(8,578)	(1,587)	(10,312)
Profit/(loss) for the year	**(29,112)**	(26,650)	48,938	(27,763)	(176,854)
Attributable to:					
Shareholders of the Company	**(24,484)**	(18,833)	54,846	(23,460)	(158,418)
Non-controlling interests	**(4,628)**	(7,817)	(5,908)	(4,303)	(18,436)
	(29,112)	(26,650)	48,938	(27,763)	(176,854)

	31 December				
	2013 **HK$'000**	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**1,431,876**	965,528	1,041,467	925,390	933,164
Total liabilities	**(502,814)**	(250,347)	(303,328)	(281,222)	(283,295)
Net assets	**929,062**	715,181	738,139	644,168	649,869
Equity attributable to:					
Shareholders of the Company	**921,325**	699,801	719,293	619,228	622,770
Non-controlling interests	**7,737**	15,380	18,846	24,940	27,099
	929,062	715,181	738,139	644,168	649,869