Beijing Development (Hong Kong) Limited

ANNUAL REPORT 08

Stock Code : 154

Contents

Beijing 08 北京

Corporate Information

Directors

Executive directors:
Mr. E Meng *(Chairman)*
Mr. Zhang Honghai
Mr. Wang Yong
Mr. Cao Wei
Mr. Yan Qing
Mr. Ng Kong Fat, Brian

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

Company Secretary

Mr. Wong Kwok Wai, Robin

Authorised Representatives

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

Registered Office

Room 3401, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Website

http://www.bdhk.com.hk

Stock Code

154

Share Registrars

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

Auditors

Ernst & Young

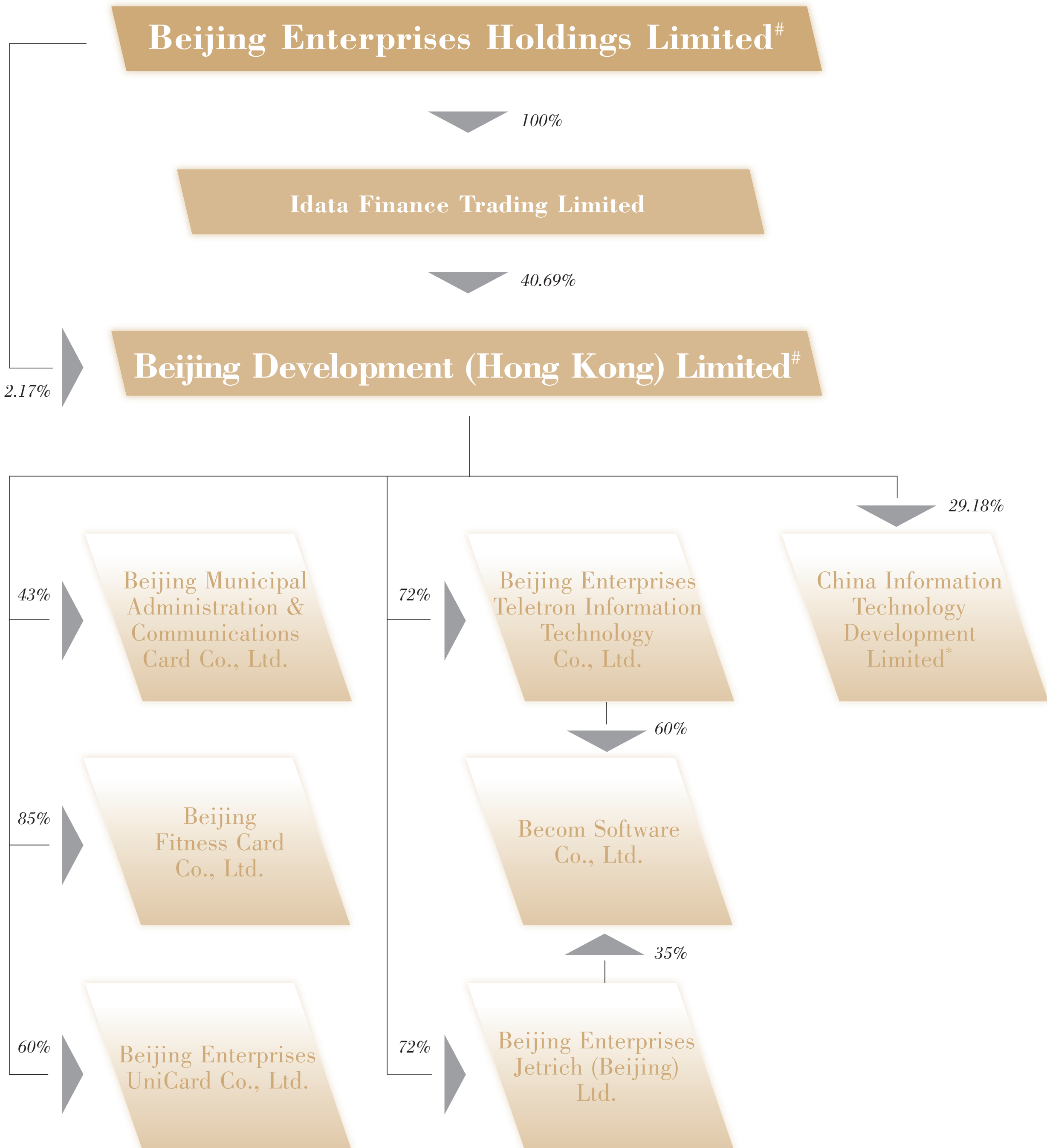
Principal Bankers

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

In Mainland China:
Bank of Beijing
Bank of Communications
China CITIC Bank
China Construction Bank
China Minsheng Banking Corp., Ltd.
Huaxia Bank

Corporate Structure

As at 30 March 2009



\# 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

The Group reported a substantial loss of HK$415 million for the year ended 31 December 2008. The loss was largely attributable to a impairment provision of HK$328 million for our associate "China Information Technology Development Limited" ("CITD", a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited). However, this has not created a material impact on the day-to-day business operation and cash flow of the Group.

As CITD has not concluded its internal investigation and the Group has not acquired any audited financial information regarding CITD, it is unable to determine the asset value and future profitability of CITD in a reasonable manner. Notwithstanding this, in view of the prolonged decline in the share prices of CITD which are materially below its net asset value, and considering the uncertainties such as the recent downturn in the stock market and global economy as well as the ultimate findings of the unconcluded internal investigation of CITD, a impairment provision in respect of the Group's share of the goodwill standing in the book of CITD has been made. The Group will continue to follow up closely the status of CITD so as to assess the reasonable value of its interests in CITD.

The smart card system, which provides a platform for electronic settlement and clearance, remains to be a core business of the Group. Public transportation is the source of our primary income. Currently, more than 25 million smart cards have been issued in total, making the system an electronic settlement platform with the largest market share in Beijing. The application of smart cards in small settlements in other non-transportation sectors has also been made available in nearly 100 business entities and more than 2,000 shops in various business sectors in Beijing, offering plenty of space for business and profit growth.

In the future, the Group will:

- further launch smart cards for use in car-parks, parking meters, petrol stations, railway system and highway tolling system, while maintaining stable logistics operation and a steady growth in card issue;
- issue a variety of cards that cater for the specific needs and characteristics of different industries and communities for establishing a settlement and clearance business conforming to various business models;
- based on the consumption habits of the residents in Beijing, enhance their consumption desire so that their real stored value amount will increase, by means of various initiatives such as staff welfare scheme, bonus points scheme for business concerns and coupons; and
- carry out research carefully and exploration aggressively, attempting to adopt various settlement methods such as online settlement and mobile phone, telephone and digital television-based settlement for building a diversified settlement platform that adapts to the changes in the market and the needs of residents to the maximum extent, based on which the Group will open up various types of value-added services.

Chairman's Statement

The Group has built up successful experiences in system integration projects for the rail transportation business and acquired core technology from the cooperation with internationally renowned companies. Beijing holds favourable market opportunities as it will continue to maintain a pinnacle of rail transportation construction in the next decade. The Group will fully capitalise its existing market expansion capabilities and past performance by striving to acquire more system integration projects and their subsequent operation and maintenance projects amid increasing market competition.

Having built its strengths in the educational sector, the Group will continue to open up in the educational information system development and the other businesses.

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

E Meng
Chairman

Hong Kong
30 March 2009

Management Discussion And Analysis

Business Review

1. *Smart Cards and Related Projects*

As driven by the 2008 Beijing Olympic Games, more than 25 million Smart Cards have been issued and approximately 14 million transactions are processed per day. The application of Smart Cards in various platforms such as public buses, subway, taxies, park tickets, car parks and public telephones have brought convenience and privileges to the general public in Beijing. The Smart Card system is the world's largest urban transportation smart card system:

- Smart Card System on Public Transport: covering more than 20,000 public buses in Beijing. The stable operation of the system has been ensured, enabling the satisfaction of the record-breaking high demand for the possessing of transactions through the system.

- Smart Card System on Subway: covering 8 existing lines of the Beijing Subway, including 3 new subway lines and the airport express. In line with the implementation of the single unified fare policy for the entire network of Beijing Subway, the Automated Fare Collection ("AFC") System and the Automated Fare Collection and Clearing Center ("ACC") have been safely connected with the Smart Card System and has been operating smoothly. The system was extensively applied to the relevant preliminary construction works for other new subway lines.

- Smart Card System on Taxies: 63,000 taxies in Beijing have been equipped with the Smart Card system. In order to satisfy the unique business requirements in the taxi sector, the systems for timely data collection of smart card transactions for taxi drivers at the petrol stations and the timely transfer of payment to the personal bank accounts of taxi drivers have been set up.

During the year, the application of Smart Cards has been proactively extended to small transaction payment and other non-transportation commercial purposes:

- At the end of December of 2008, the Smart Card system has been launched in 95 business entities and 2,027 stores focusing on small transactions, including supermarkets, convenience stores, restaurants, bakeries, bookstores, cinemas, hospitals and beauty and hair salons. The transaction amount has been increasing progressively. With continuous expansion of the scope of application of Smart Cards, it is more convenient for the residents to use Smart Cards in the daily life.

- The annual park ticket project was a breakthrough of Smart Cards in the domain of municipal services in 2008. More than 1.46 million annual tickets for 16 parks in Beijing have been issued successfully.

- In 2008, 5 new Park+Ride car parks installed with the Smart Card payment system commenced operation and the revamping of the Smart Card system on 1,000 roadside parking meters was also completed.

Management Discussion And Analysis

- With the implementation of the access control project in the hotels, the Smart Card system has been implemented in 3 hotels in 2008. In the future, more and more hotels will adopt the Smart Card system in access control management. The application of Smart Cards will then be extended to consumption in hotels, value-adding services and other purposes.

- Beijing Municipal Administration & Communications Card Co., Ltd. ("BMAC") and Tianjin Metropolitan Card Co., Ltd. jointly launched the "Jing-Jin Smart Card" ("京津一卡通"), a joint name card applicable in two cities, enabling the streamless inter-connection and inter-communication between Beijing and Tianjin.

During the year under review, the Group invested HK$30 million in cash in the establishment of Beijing Enterprises UniCard Co., Ltd. to develop high value-added business of payment cards, explore large-amount consumption market with high margin, and attract high-end customers with higher consumption level. In December 2008, the Company and the Beijing branch of the Bank of China entered into a strategic cooperation agreement, under which the parties shall cooperate with each other under long-term strategic relationship in respect of the business of payment cards, related financial business and sub-contracting services.

Further, the Group invested RMB8.5 million in cash in the establishment of Beijing Fitness Card Co., Ltd. with the Beijing Municipal Bureau of Sport. Beijing Fitness Card Co., Ltd. obtained a government subsidy of RMB30 million to establish, operate and maintain the electronic payment and settlement platform in sports and recreation consumption. At present, Smart Cards can be used for small payment transaction in 50 sports venues and gymnasiums throughout Beijing. The Beijing Fitness Website has been launched on a trial basis. The information about all kinds of sporting activities and gymnasiums in Beijing has been collected and provided on the website in order to raise the residents' awareness to sports and health.

With the efforts of various parties, BMAC was granted with a subsidy for card settlement handling charges amounting to RMB100 million from the Finance Bureau of Beijing. Despite of this, as BMAC has not yet concluded any business agreement with public bus and subway operators, BMAC and the related projects did not contribute any profit to the Group during the year under review.

2. *Rail Transportation and Other System Integration Project*

Since 2005, Beijing Enterprises Teletron Information Technology Co., Ltd., based on its original business foundation, has proactively developed its business in rail transportation sector. It has undertaken numerous information infrastructure construction projects for Beijing Subway to provide ancillary facilities to the Beijing Olympic Games. These projects included the Automated Fare Collection ("AFC") System, the Automated Fare Collection and Clearing Center ("ACC"), the installation of the safety door system and the Building Automation System ("BAS"). During the year under review, the safety operation and security tests have been completed for various projects to ensure minimal level of failure, and the repair and maintenance works commence subsequently.

Management Discussion And Analysis

Under the planning of the Beijing Municipal Government, no tender was invited for any construction project of new lines for Beijing Subway in 2008. Therefore, the Group's revenue from rail transportation declined to HK$94 million for the year ended 31 December 2008, accounting for only 32% of the total revenue of the Group and resulting in operating loss.

3. *China Information Technology Development Limited ("CITD") (Stock Code: 8178)*

CITD is one of our major associates, mainly engaged into (1) the provision of value-added services for internet, mobile phones and telecommunications; and (2) the development of software, the integration of systems and the provision of technological support and maintenance services.

As disclosed in an announcement of the Company dated 6 February 2009, in the course of auditing the consolidated financial results of CITD for the year ended 31 December 2008, the auditors of CITD were aware of unusual transaction data being recorded in the revenue recording system in Mingsuo (an Internet platform which provides corporate information enquiry services to its members) and a special committee has been established by CITD to investigate into the matter (the "Special Investigation"). The board of directors of CITD noted that, since the revenue of Mingsuo represents a significant part of the overall revenue of the CITD group, any significant findings of the Special Investigation may have a correspondingly significant impact on CITD group's operational and financial performance. The trading of the shares of CITD has been suspended since 29 January 2009.

As at the date of this announcement, the Special Investigation has not yet been completed and no further information or pronouncement has been made by CITD in respect of the Special Investigation.

Financial Review

The Group's total revenue for the year ended 31 December 2008 was HK$293 million, representing a decline of 18% from HK$358 million for the year ended 31 December 2007. During the year, loss attributable to shareholders of the Company was HK$415 million (2007: profit of HK$317 million) with loss per share of HK$0.61.

1. *Impairment loss of CITD*

In 2007, the Company recorded a gain of HK$119 million on disposal of a partial interest in CITD; and an exceptional gain of HK$320 million resulting from the capital appreciation of CITD.

Since no reliable financial information had been made available to enable the Group to account for its interests in CITD for the year ended 31 December 2008, the Group did not equity account for any operating results of CITD for the year.

Management Discussion And Analysis

The Company are presently unable to determine with reasonable certainty as to whether the ultimate findings from the Special Investigation might have a material consequential effect, if any, on the financial statements of the Group for the year ended 31 December 2008.

Notwithstanding the above, in view of (1) the prolonged decline in the market value of the shares of CITD held by the Group during the year ended 31 December 2008 which is materially below the Group's interest in CITD as at 31 December 2007; (2) the recent downturn in the stock market and global economy; and (3) the uncertainty as to the ultimate findings of the Special Investigation, a full impairment provision in respect of the Group's share of the goodwill standing in the books of CITD is made. As such, the Group recorded an exceptional loss of HK$331 million in aggregate against the Group's interests in CITD for the year ended 31 December 2008.

2. *Operating Loss*

In view that (i) the income from core business of Smart Cards has not been "normalised" and the business of small payment transaction is only at the initial stage; and (ii) the declining amount of work secured in relation to rail transportation projects in Beijing and rising costs, the Group incurred an operating loss from operation of HK$31.46 million (before the amortisation of employees' share option expense of HK$52.3 million) for the year ended 31 December 2008.

During the year, selling and distribution costs amounted to HK$8.43 million, representing an decrease of 47% from HK$16.02 million last year. Administrative expenses increased by 36% to HK$104.65 million from HK$77.21 million last year. Such increase was mainly attributable to the amortisation of employees' share option expense, which increased by HK$38.48 million to HK$52.30 million as compared to HK$13.82 million last year.

Management Discussion And Analysis

Financial Position

For the year ended 31 December 2008, the Company issued 5,700,000 new shares after the exercise of share options of the Company by certain employees at a subscription price of HK$1 per share. During the year, the Company repurchased 9,721,000 shares at an average price (including costs) of approximately HK$1.09 per share. The shares repurchased were then cancelled immediately. On 31 December 2008, the total issued share capital of the Company decreased to 677,460,150 shares accordingly.

As at the balance sheet date, the Group had total assets of HK$1,079 million, decreased by HK$460 million from HK$1,539 million at the beginning of the year, of which the current assets amounted to HK$843 million. Total liabilities decreased by HK$53 million to HK$265 million from HK$318 million at the beginning of the year. Net asset value decreased from HK$1,221 million at the beginning of the year to HK$813 million as at the balance sheet date, in which the interests attributable to shareholders of the Company and the minority interests accounted for HK$768 million and HK$45 million, respectively.

As at the balance sheet date, cash and bank balances held by the Group decreased by HK$111 million to HK$617 million from HK$728 million at the beginning of the year. The payment of special dividends for the year 2007 amounted to HK$55 million. The Group did not have any bank borrowings, nor did it hold any financial derivatives. The current ratio of the Group increased from 3.08 at the beginning of the year to 3.65 while the total liabilities to assets ratio increased from 20.7% at the beginning of the year to 24.6%, suggesting that a sound financial position has been maintained. 41% of the cash and bank balances held by the Group are denominated in Hong Kong dollars and other current assets and liabilities are principally denominated in Renminbi. There are no material exchange risks.

For the year ended 31 December 2008, the Group had capital expenditures of HK$5 million. As at the balance sheet date, the capital commitment of the Group amounted to HK$34 million. The Group did not have any material contingent liabilities.

Employees

As at the end of 2008, the Group had a total of 328 employees, representing a headcount reduction of 12 as compared to 340 employees at the beginning of the year. Excluding the expenses on share options, the total expenses on employee benefits in 2008 amounted to HK$41 million, the management believes that the salaries offered by the Group to its employees are competitive.

Biographical Information Of Directors And Senior Management

Executive Directors

Mr. E Meng, aged 50, is the chairman of the Company. Mr. E also serves as an executive director and a vice president of Beijing Enterprises Holdings Limited ("BEHL", stock code: 392), 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. In 2008, Mr. E graduated from the EMBA program of The Hong Kong University of Science and Technology. 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 56, also serves as a vice chairman and the chief executive officer of BEHL, the chairman of China Information Technology Development Limited ("CITD", stock code: 8178) and the chairman of BE Water Group. Mr. Zhang graduated from Peking University in 1982 and subsequently obtained a postgraduate qualification in business studies at the International Business School of Hunan University and was awarded the title of senior economist. In 2008, Mr. Zhang graduated from the EMBA program of Beijing 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. He also served as 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. WANG Yong, aged 55, is the president of the Company and also serves as the chairman of Beijing Municipal Administration & Communications Card Co., Ltd. (a jointly-controlled entity 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 and the assistant to president of BEHL. Mr. Wang has extensive experience in investment, corporate finance and management. Mr. Wang joined the Group in March 2005.

Mr. CAO Wei, aged 45, is a vice president of the Company. Mr. Cao graduated from Harbin Industrial University and was awarded the title of senior engineer. Mr. Cao has extensive experience in the telecommunications and information technology field. He is the president of Union of Network Beijing and is one of the founders of Beijing Enterprises Teletron Information Technology Co., Ltd. ("Teletron", a subsidiary of the Company). From 1988 to 1993, Mr. Cao worked as the general manager of Beijing Hehai Technology Development Co., Ltd. From 1993 to 1996, Mr. Cao worked as the general manager of Beijing Enyi Technology Development Co., Ltd. Mr. Cao joined the Group in October 2001.

Biographical Information Of Directors And Senior Management

Executive Directors (continued)

Mr. YAN Qing, aged 48, is a vice president of the Company. Mr. Yan graduated from Renmin University of China in 1985 with a bachelor degree in Business, and obtained a master degree from Graduate School of Research Institute of the Ministry of Finance in 2000. Mr. Yan has over 15 years' experience in finance and management. Mr. Yan joined the Group in February 2005.

Mr. NG Kong Fat, Brian, aged 53, 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 51, holds a doctorate degree in Economics from Oxford University and has been the chief councilor 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 joined the Group in September 2004.

Dr. HUAN Guocang, aged 59, is currently the chief executive officer of Primus Pacific Partners Limited ("Primus") and an independent non-executive director of APT Satellite Holdings Limited (stock code: 1045). 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 Center 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 51, is currently a senior partner of King & Wood, 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

Senior Management

Ms. SHA Ning, aged 38, is a vice president of the Company. Ms. Sha graduated from the Business Faculty of Heilongjiang University, majored in Business and Economic Studies, and subsequently obtained second degree in foreign trade accounting in Beijing School of Business and Capital University of Economics and Business, and has granted the EMBA degree from The Hong Kong University of Science and Technology in 2008. She was awarded the qualification of PRC senior accountant. Ms. Sha has extensive working experience in finance and joined BEHL in 2001. From 2001 to 2008, she successively worked as the financial controller of BES ELECOM Inc. and Beijing Enterprises Ever Source (Beijing) Co., Ltd. She is currently the manager of audit department of BEHL since October 2008. Ms. Sha joined our Group since March 2009.

Mr. WONG Kwok Wai, Robin, aged 42, is the financial controller and 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 over 20 years' experience in administration, auditing, accounting and corporate finance. Mr. Wong joined the Group in July 1993.

Mr. WU Miaolin, aged 46, is an assistant to 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.

Mr. LI Chunli, aged 37, is an assistant to president of the Company. Mr. Li graduated from the School of Business of University of Science and Technology of China in 1993. From 1995 to 2005, Mr. Li worked in Beijing Escom Photoelectricity Technology Co., Ltd. Mr. Li joined the Group in February 2005.

Ms. SUN Ling, aged 50, is an assistant to 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 10 years' operation and management experience in the field of information technology. Ms. Sun joined the Group in February 2002.

Mr. HUANG Minghui, aged 43, is an assistant to 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 Tulane University in the USA in 2005 with a master degree in business administration. 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 Center. Mr. Huang joined the Group in June 2003.

Corporate Governance Report

Corporate Governance Practices

Save as disclosed below, in the opinion of the directors, the Company has complied with all the applicable code provisions (the "Code Provisions") of the Code on Corporate Governance Practices 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 2008.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors. All the directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2008.

Board of Directors

The board of directors (the "Board") currently comprises of six executive directors and three independent non-executive 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.

Details of backgrounds and qualifications of the directors are set out on pages 11 and 12. 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. There is no relationship among the members of the Board.

The Board fulfilled the requirement under rules 3.10(1) and (2) of the Listing Rules and have three independent non-executive directors and have an independent non-executive director with appropriate professional accounting or financial management expertise. They 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 all independent non-executive directors and as at the date of this report still considers them to be independent.

Corporate Governance Report

Board Meeting

The Board held two regular meetings during the year under review, which constitutes a deviation from Code Provision A.1.1 which stipulates members of the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals and such regular board meetings will normally involve the active participation, either in person or through other electronic means of communication. However, the Company considers it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the directors.

Details of the attendance of the regular board meetings are as follows:

Name of Director	Notes	**Positions**	**Attendance**
Mr. E Meng	(a)	Chairman and executive director	2/2
Mr. Zhang Honghai	(a)	Executive director	2/2
Mr. Wang Yong		Executive director	2/2
Mr. Cao Wei		Executive director	2/2
Mr. Yan Qing	(b)	Executive director	1/1
Mr. Ng Kong Fat, Brian		Executive director	2/2
Mr. Li Kangying	(b)	Executive director	1/1
Dr. Yu Xiaoyang	(c)	Executive director	0/0
Dr. Jin Lizuo		Independent non-executive director	2/2
Dr. Huan Guocang	(d)	Independent non-executive director	2/2
Dr. Wang Jianping	(d)	Independent non-executive director	2/2
Mr. Cao Guixing	(d)	Independent non-executive director	0/0
Prof. Liu Wei	(d)	Independent non-executive director	0/0

Notes:

(a) Mr. Zhang Honghai resigned and Mr. E Meng was appointed as the Chairman of the Board on 15 January 2008.

(b) Mr. Li Kangying resigned and Mr. Yan Qing was appointed as an executive director on 17 October 2008.

(c) Dr. Yu Xiaoyang resigned as an executive director on 4 February 2008.

(d) Mr. Cao Guixing and Prof. Liu Wei resigned and Dr. Huan Guocang and Dr. Wang Jianping were appointed as independent non-executive directors on 31 January 2008.

Corporate Governance Report

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, replaced Mr. Zhang Honghai from 15 January 2008, was elected as the Chairman of the Company and 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, replaced Mr. Li Kangying from 17 October 2008, was appointed as the President of the Company and 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.

Remuneration of Directors

The remuneration committee of the Company was established in 2006 with terms of reference in accordance with Code Provision B.1.3. The current members of the remuneration committee are Dr. Jin Lizuo (chairman), Mr. E Meng, Dr. Huan Guocang and Dr. Wang Jianping. The majority of the remuneration committee members are independent non-executive directors.

The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. Details of directors' remuneration are set out in note 11 to the financial statements.

Remuneration of Directors (continued)

The remuneration committee held a meeting during the year under review. Details of the attendance of the remuneration committee meeting are as follows:

Name of member	Notes	Attendance
Dr. Jin Lizuo		1/1
Mr. E Meng	(a)	1/1
Dr. Huan Guocang	(b)	1/1
Dr. Wang Jianping	(b)	1/1
Mr. Zhang Honghai	(a)	0/0
Mr. Cao Guixing	(b)	0/0
Prof. Liu Wei	(b)	0/0

Notes:

(a) Mr. Zhang Honghai resigned and Mr. E Meng was appointed as the member of the remuneration committee on 15 January 2008.

(b) Mr. Cao Guixing and Prof. Liu Wei resigned and Dr. Huan Guocang and Dr. Wang Jianping were appointed as the members of the remuneration committee on 31 January 2008.

Nomination of Directors

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experiences. The Board selects and recommends candidates for directorship having regard to the skills and experience appropriate to the Group's business.

Auditors' Remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, auditors' remuneration for audit services is approximately HK$2,580,000 and for non-audit service assignment is approximately HK$480,000, which represented review of interim results.

Audit Committee

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

Audit Committee (continued)

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

The audit committee held two meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Name of member	Note	**Attendance**
Dr. Huan Guocang	(a)	2/2
Dr. Jin Lizuo		2/2
Dr. Wang Jianping	(a)	2/2
Mr. Cao Guixing	(a)	0/0
Prof. Liu Wei	(a)	0/0

Note:

(a) Mr. Cao Guixing and Prof. Liu Wei resigned and Dr. Huan Guocang and Dr. Wang Jianping were appointed as the members of the audit committee on 31 January 2008.

The audit committee has reviewed the interim and annual results, financial positions, internal control and the management issues of the Company during the year under review.

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 pages 30 and 31. 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 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 risk management control. During the year under review, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

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 (the "Group") for the year ended 31 December 2008.

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 22(c) to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results

The Group's loss for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 125.

Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the annual report or the audited financial statements, as appropriate, is set out on page 126. This summary does not form part of the audited financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 18 and 19 to the financial statements, respectively.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 35 and 36 to the financial statements, respectively.

Purchase, Redemption, or Sale of Listed Securities of the Company

During the year, the Company repurchased 9,721,000 of its own ordinary shares in aggregate on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company. Further details of these transactions are set out in note 35(c) to the financial statements.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Report Of The Directors

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 37(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2008, 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$170,319,000, may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 81% of the total sales for the year and sales to the largest customer included therein amounted to 37%. Purchases from the Group's five largest suppliers accounted for 48% of the total purchases for the year and purchases from the largest supplier included therein amounted to 18%.

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 were:

Executive directors:	
Mr. E Meng	
Mr. Zhang Honghai	
Mr. Wang Yong	
Mr. Cao Wei	
Mr. Yan Qing	*(appointed on 17 October 2008)*
Mr. Ng Kong Fat, Brian	
Mr. Li Kangying	*(resigned on 17 October 2008)*
Dr. Yu Xiaoyang	*(resigned on 4 February 2008)*
Independent non-executive directors:	
Dr. Jin Lizuo	
Dr. Huan Guocang	*(appointed on 31 January 2008)*
Dr. Wang Jianping	*(appointed on 31 January 2008)*
Mr. Cao Guixing	*(resigned on 31 January 2008)*
Prof. Liu Wei	*(resigned on 31 January 2008)*

Report Of The Directors

Directors (continued)

In accordance with articles 95 and 104(a) of the Company's articles of association, Messrs. E Meng, Yan Qing, Ng Kong Fat, Brian and Jin Lizuo will retire 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.

The Company has received annual confirmations of independence from each of the three existing 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 11 to 13 of the annual report.

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 16 and 17 of the annual report.

Directors' Interests in Contracts

Save as disclosed in note 42 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 or any of its subsidiaries was a party during the year.

Report Of The Directors

Directors' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2008, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	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	0.09
Mr. Zhang Honghai	4,000,000	–	4,000,000	0.59
Mr. Cao Wei	190,000	–	190,000	0.03
Mr. Yan Qing	4,000	–	4,000	–
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755#	10,392,755	1.53
	6,395,000	8,792,755	15,187,755	2.24

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

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.

Report Of The Directors

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

Long positions in share options of an associated corporation:

At 31 December 2008, Mr. Zhang Honghai directly beneficially owned 20,000,000 share options of China Information Technology Development Limited ("CITD"), an associate of the Group. These share options were granted on 11 February 2008 at an exercise price of HK$0.53 per ordinary share of CITD which is subject to adjustment in the case of rights or bonus issues, or other similar changes in CITD's share capital. The share options may be exercised at any time commencing on 11 August 2008 and, if not otherwise exercised, will lapse on 10 February 2013. The exercise of the share option is subject to an annual cap of 25% of the share options granted. Subject to the approval of the share option committee and the remuneration committee of CITD, Mr. Zhang is entitled to exercise all the share options within three months from the date of termination of his employment with CITD.

Save as disclosed above, as at 31 December 2008, none of the directors had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

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

Share Option Scheme

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 36 to the financial statements.

Share Option Scheme (continued)

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

Name or category of participant	Notes	Number of share options: At 1 January 2008	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2008
Executive directors:						
Mr. E Meng	(b)	4,500,000	–	–	–	4,500,000
	(c)	–	1,500,000	–	–	1,500,000
	(e)	–	3,000,000	–	–	3,000,000
		4,500,000	4,500,000	–	–	9,000,000
Mr. Zhang Honghai	(a)	3,400,000	–	(3,400,000)	–	–
	(b)	6,800,000	–	–	–	6,800,000
		10,200,000	–	(3,400,000)	–	6,800,000
Mr. Wang Yong	(b)	6,000,000	–	–	–	6,000,000
	(e)	–	1,000,000	–	–	1,000,000
		6,000,000	1,000,000	–	–	7,000,000
Mr. Cao Wei	(b)	4,000,000	–	–	–	4,000,000
	(e)	–	2,300,000	–	–	2,300,000
		4,000,000	2,300,000	–	–	6,300,000
Mr. Yan Qing	(b)	3,200,000	–	–	–	3,200,000
	(e)	–	1,500,000	–	–	1,500,000
		3,200,000	1,500,000	–	–	4,700,000
Mr. Ng Kong Fat, Brian	(b)	4,000,000	–	–	–	4,000,000
	(e)	–	1,500,000	–	–	1,500,000
		4,000,000	1,500,000	–	–	5,500,000
Mr. Li Kangying *	(b)	4,500,000	–	–	(2,250,000)	2,250,000
	(e)	–	2,800,000	–	–	2,800,000
		4,500,000	2,800,000	–	(2,250,000)	5,050,000
Dr. Yu Xiaoyang *	(a)	2,300,000	–	(2,300,000)	–	–

* Resigned during the year.

Report Of The Directors

Share Option Scheme (continued)

Name or category of participant	Notes	Number of share options: At 1 January 2008	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2008
Independent non-executive directors:						
Dr. Jin Lizuo	(b)	680,000	–	–	–	680,000
Dr. Huan Guocang	(d)	–	680,000	–	–	680,000
Dr. Wang Jianping	(d)	–	680,000	–	–	680,000
Other employees:						
In aggregate	(b)	26,300,000	–	–	–	26,300,000
In aggregate	(e)	–	900,000	–	–	900,000
		26,300,000	900,000	–	–	27,200,000
		65,680,000	15,860,000	(5,700,000)	(2,250,000)	73,590,000

Notes:

(a) These share options were granted on 27 June 2006 at an exercise price of HK$1.00@ per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK$0.84. The options may be exercised at any time commencing on 27 June 2006 and, if not otherwise exercised, will lapse on 17 June 2011. These share options were vested on the date of grant. The weighted average closing price of the Company's ordinary shares immediately before the exercise dates of these share options during the year ended 31 December 2008 was HK$3.02.

(b) These share options were granted on 30 October 2007 at an exercise price of HK$4.03@ per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK$4.07. The share options may be exercised in two equal portions. The first portion is exercisable at any time commencing on 1 May 2008, and the other portion is exercisable from 1 May 2009 and, if not otherwise exercised, will lapse on 17 June 2011. The vesting periods of each of the portion is from the date of grant to the respective commencement dates of the exercise periods. Subject to the approval of the remuneration committee of the Company, directors of the Company are entitled to exercise all the share options within three months from the date of termination of their employment with the Company.

(c) These share options were granted on 4 February 2008 at an exercise price of HK$3.17@ per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK$3.11. The share options may be exercised at any time commencing on 1 May 2008, and if not otherwise exercised, will lapse on 17 June 2011. The vesting period is from the date of grant to the commencement date of the exercise period.

Share Option Scheme (continued)

Notes: (continued)

(d) These share options were granted on 4 February 2008 at an exercise price of HK$3.17@ per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK$3.11. The share options may be exercised in two equal portions. The first portion is exercisable at any time commencing on 1 May 2008, and the other portion is exercisable from 1 May 2009 and, if not otherwise exercised, will lapse on 17 June 2011. The vesting periods of each of the portion is from the date of grant to the respective commencement dates of the exercise periods. Subject to the approval of the remuneration committee of the Company, directors of the Company are entitled to exercise all the share options within three months from the date of termination of their employment with the Company.

(e) These share options were granted on 9 July 2008 at an exercise price of HK$2.07@ per ordinary share of the Company. The closing price of the Company's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK$2.06. The share options may be exercised at any time commencing on 11 August 2008, and if not otherwise exercised, will lapse on 17 June 2011. The vesting period is from the date of grant to the commencement date of the exercise period.

@ The exercise price of these share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

The directors have estimated the fair values of the share options granted during the year, calculated using the Black-Scholes-Merton option pricing model, as at the date of grant of the share options, which are summarised as follows:

Grantee	Number of share options granted during the year	Theoretical value of share options HK$'000
Mr. E Meng	4,500,000	2,674
Mr. Wang Yong	1,000,000	600
Mr. Cao Wei	2,300,000	1,379
Mr. Yan Qing	1,500,000	900
Mr. Ng Kong Fat, Brian	1,500,000	900
Mr. Li Kangying	2,800,000	1,679
Dr. Huan Guocang	680,000	551
Dr. Wang Jianping	680,000	551
Other employees	900,000	540
	15,860,000	9,774

Report Of The Directors

Share Option Scheme (continued)

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

The fair value of a share option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of a share option.

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

At 31 December 2008, the following interests 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**	**Others**	**Total**	**Percentage of the Company's issued share capital**
Idata Finance Trading Limited ("Idata")		275,675,000	–	–	275,675,000	40.69
Beijing Enterprises Holdings Limited ("BEHL")	(a)	14,704,000	275,675,000	–	290,379,000	42.86
Beijing Enterprises Group (BVI) Company Limited ("BEBVI")	(b)	–	290,379,000	–	290,379,000	42.86
北京控股集團有限公司 ("BEGCL")	(b)	–	291,355,000	–	291,355,000	43.01
Trophy Fund		95,049,250	–	–	95,049,250	14.03
Trophy Asset Management Limited ("TAML")	(c)	–	–	113,750,250	113,750,250	16.79

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares (continued)

		Number of ordinary shares held, capacity and nature of interest				Percentage of the Company's issued share capital
Name	Notes	**Directly beneficially owned**	**Through controlled corporations**	**Others**	**Total**	
Winnington Capital Limited ("WCL")	(c)	–	–	113,610,250	113,610,250	16.77
Mr. Hung Kam Biu ("Mr. Hung")	(c)	–	115,020,250	–	115,020,250	16.98
Ms. Chu Jocelyn ("Ms. Chu")	(c)	–	113,610,250	1,410,000	115,020,250	16.98
UBS AG	(d)	–	–	61,500,000	61,500,000	9.08

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.

(c) The interests disclosed include the ordinary shares owned by Trophy Fund. TAML and WCL are investment managers of Trophy Fund and other funds. Mr. Hung has 100% and 50% beneficial interests in TAML and WCL, respectively. Ms. Chu is the spouse of Mr. Hung. Accordingly, each of TAML, WCL, Mr. Hung and Ms. Chu is deemed to be interested in the ordinary shares owned by Trophy Fund.

(d) The interest disclosed includes 60,000,000 ordinary shares owned by Trophy Fund and 1,500,000 ordinary shares held as a security interest in the shares.

Save as disclosed above, as at 31 December 2008, no person, other than the directors of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report Of The Directors

Connected Transaction

During the year, the Group had the following connected transaction, certain details of which are disclosed in compliance with the requirement of Chapter 14A of the Listing Rules.

On 24 June 2008, Prime Technology Group Limited ("Prime"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Mr. Wang Zhenyu ("Mr. Wang"), an executive director and the chief executive officer of CITD and also an executive director and the general manager of Beijing Enterprises UniCard Co., Ltd., a non-wholly owned subsidiary of the Company, to dispose of 600 million ordinary shares of CITD, representing approximately 9.24% of the then entire issued share capital of CITD, by Prime to Mr. Wang at a consideration of HK$132,000,000. The transaction was approved by the independent shareholders at the extraordinary general meeting held on 30 July 2008. Pursuant to a supplemental deed and a further supplemental deed entered into between Prime and Mr. Wang on 14 August 2008 and 19 December 2008, respectively, the date of completion has been extended to a date on or before 30 September 2009.

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 Balance Sheet Date

Details of the significant events after the balance sheet date of the Group are set out in note 45 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
30 March 2009

Independent Auditors' Report

ERNST & YOUNG
安 永

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

Report on the Financial Statements

We have audited the financial statements of Beijing Development (Hong Kong) Limited set out on pages 33 to 125, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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.

Except as explained in the "Basis for Qualified Opinion" section below, 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 as to whether the financial statements are free from material misstatement.

Independent Auditors' Report (continued)

Report on the Financial Statements (continued)

Auditors' Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

Basis for Qualified Opinion

Included in the Group's interests in associates and the Company's interests in subsidiaries in the consolidated and company balance sheets as at 31 December 2008 were amounts of HK$51,577,000 (net of impairment loss of HK$328,442,000) and HK$43,568,000 (net of impairment loss of HK$133,983,000) relating to the Group's interests in China Information Technology Development Limited ("CITD", a 29.18% indirectly-owned associate of the Company) and the Company's interests in two subsidiaries (the "CITD Holding Subsidiaries") which hold the Group's investments in CITD, respectively. As further explained in notes 22(b) and 24(a) to the financial statements, in consequence to the Special Investigation (as defined in note 24(a)) of CITD, no relevant and reliable financial information had been made available to enable the Group to account for its interests in CITD for the year ended 31 December 2008 in accordance with Hong Kong Accounting Standard 28 *Investments in Associates* and, therefore, the Group did not equity account for any operating results of CITD for the year ended 31 December 2008. Notwithstanding the above, impairment losses of HK$328,442,000 and HK$133,983,000 were recognised by the Group and the Company in the year against their respective interests in CITD and the CITD Holding Subsidiaries.

In the absence of appropriate financial information relating to CITD, there were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the amounts concerning the interests in CITD and the CITD Holding Subsidiaries recorded in the Group's and the Company's financial statements as at 31 December 2008 and for the year then ended were free from material misstatements.

Qualified Opinion arising from Limitation of Audit Scope

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the amounts concerning the interests in CITD and the CITD Holding Subsidiaries recorded in the Group's and the Company's financial statements, respectively, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 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.

Independent Auditors' Report (continued)

Report on the Financial Statements (continued)

Qualified Opinion arising from Limitation of Audit Scope (continued)

Without qualifying our opinion, we draw attention to the disclosures made in notes 22(b) and 24(a) to the financial statements concerning the uncertainty as to the ultimate findings of the Special Investigation, which remains in progress as at the date of this report. The directors of the Company are presently not able to determine whether the ultimate findings might have a material consequential effect, if any, on the financial statements of the Group and the Company for the year ended 31 December 2008 and/or that of the prior years relating to the Group's interests in CITD and the Company's interests in the CITD Holding Subsidiaries.

Report on Matters under Sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the limitation on our work as set out in the "Basis for Qualified Opinion" section of this report, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong
30 March 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**293,223**	358,412
Cost of sales		**(293,972)**	(327,470)
Gross profit/(loss)		**(749)**	30,942
Gains on deemed disposal of a partial interest in a subsidiary	6	**–**	69,129
Gain on disposal of a partial interest in an associate	7	**–**	118,628
Gains/(losses) on deemed disposal of a partial interest in an associate	8	**(2,394)**	251,396
Other income and gains, net	5	**12,699**	39,435
Selling and distribution costs		**(8,426)**	(16,023)
Administrative expenses		**(104,652)**	(77,205)
Other expenses, net		**(193)**	(58,200)
Finance costs	9	**–**	(2,610)
Share of profits and losses of:			
Jointly-controlled entities	23(a)	**889**	(56,225)
Associates	24(a)	**(17,982)**	5,193
Impairment of an interest in an associate	24(a)	**(310,459)**	–
PROFIT/(LOSS) BEFORE TAX	10	**(431,267)**	304,460
Tax	13	**10,576**	(2,080)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(420,691)**	302,380
DISCONTINUED OPERATION			
Profit for the year from the discontinued operation	10, 14(a)	**–**	16,251
PROFIT/(LOSS) FOR THE YEAR		**(420,691)**	318,631
Attributable to:			
Shareholders of the Company:	15		
Continuing operations		**(414,598)**	307,924
Discontinued operation	14(a)	**–**	9,556
		(414,598)	317,480
Minority interests		**(6,093)**	1,151
		(420,691)	318,631
PROPOSED FINAL DIVIDEND	16	**–**	54,702

CONSOLIDATED INCOME STATEMENT (continued)

Year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	17		
Basic			
– For profit/(loss) for the year *(HK cents)*		**(60.62)**	48.45
– For profit/(loss) from continuing operations *(HK cents)*		**(60.62)**	46.99
Diluted			
– For profit for the year *(HK cents)*		**N/A**	47.46
– For profit from continuing operations *(HK cents)*		**N/A**	46.01

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**11,290**	8,149
Investment properties	19	**43,730**	42,180
Goodwill	20	**68,625**	68,625
Other intangible assets	21	**6,878**	8,546
Interests in jointly-controlled entities	23	**13,842**	29,888
Interests in associates	24	**54,034**	384,712
Trade and bills receivables	28	**24,941**	16,555
Deferred tax assets	25	**12,211**	704
Total non-current assets		**235,551**	559,359
CURRENT ASSETS			
Inventories	26	**29,664**	34,726
Amounts due from contract customers	27	**32,592**	29,880
Trade and bills receivables	28	**91,668**	95,522
Prepayments, deposits and other receivables	29	**66,570**	91,595
Available-for-sale investment	30	**3,977**	–
Income tax recoverable		**1,073**	–
Pledged deposits	31	**5,057**	9,890
Cash and cash equivalents	31	**612,414**	718,373
Total current assets		**843,015**	979,986
CURRENT LIABILITIES			
Trade and bills payables	32	**146,215**	215,598
Amounts due to contract customers	27	**10,854**	15,487
Income tax payable		**153**	1,992
Other payables and accruals	33	**73,808**	84,892
Total current liabilities		**231,030**	317,969
NET CURRENT ASSETS		**611,985**	662,017
TOTAL ASSETS LESS CURRENT LIABILITIES		**847,536**	1,221,376
NON-CURRENT LIABILITY			
Deferred income	34	**34,091**	–
Net assets		**813,445**	1,221,376

Consolidated Balance Sheet (continued)

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	35	**677,460**	681,481
Reserves	37(a)(i)	**90,366**	436,134
Proposed final dividend	16	**–**	54,702
		767,826	1,172,317
Minority interests		**45,619**	49,059
Total equity		**813,445**	1,221,376

E Meng
Director

Wang Yong
Director

Consolidated Statement Of Changes In Equity

Year ended 31 December 2008

		Attributable to shareholders of the Company													
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000 (note 37(a)(ii))	Share option reserve HK$'000 (note 37(a)(iii))	Capital reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000 (note 37(a)(iv))	Accum-ulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007		591,981	5,961	–	5,214	–	30,877	–	8,902	34,883	(112,483)	–	565,335	99,705	665,040
Share issue expenses	35	–	(5,856)	–	–	–	–	–	–	–	–	–	(5,856)	–	(5,856)
Fair value loss on an available-for-sale investment		–	–	–	–	–	–	(734)	–	–	–	–	(734)	–	(734)
Impairment of an available-for-sale investment recognised during the year in the income statement	10	–	–	–	–	–	–	734	–	–	–	–	734	–	734
Exchange realignment		–	–	–	–	–	–	–	17,016	–	–	–	17,016	(1,767)	15,249
Total income and expense for the year recognised directly in equity		–	(5,856)	–	–	–	–	–	17,016	–	–	–	11,160	(1,767)	9,393
Profit for the year		–	–	–	–	–	–	–	–	–	317,480	–	317,480	1,151	318,631
Total income and expense for the year		–	(5,856)	–	–	–	–	–	17,016	–	317,480	–	328,640	(616)	328,024
Issue of shares	35(a)	50,000	165,000	–	–	–	–	–	–	–	–	–	215,000	–	215,000
Exercise of share options	35(b)	39,500	4,175	–	(4,175)	–	–	–	–	–	–	–	39,500	–	39,500
Equity-settled share option arrangements	36(a)	–	–	–	13,819	–	–	–	–	–	–	–	13,819	–	13,819
Capital contribution from minority shareholders		–	–	–	–	–	–	–	–	–	–	–	–	175,351	175,351
Disposal of interests in subsidiaries		–	–	–	–	–	–	–	(820)	–	–	–	(820)	(18,484)	(19,304)
Deemed disposal of a partial interest in a subsidiary		–	–	–	–	69,279	–	–	(1,124)	114	(69,129)	–	(860)	(75,061)	(75,921)
Deconsolidation of a subsidiary		–	–	–	–	(28)	–	–	79	(140)	–	–	(89)	(131,417)	(131,506)
Deemed disposal of a partial interest in an associate		–	–	–	–	251,986	–	–	216	985	(255,658)	–	(2,471)	–	(2,471)
Transfer to accumulated losses		–	–	–	–	–	(30,877)	–	–	–	30,877	–	–	–	–
Transfer to PRC reserve funds		–	–	–	–	–	–	–	–	4,777	(4,777)	–	–	–	–
Share of reserve of an associate		–	–	–	–	14,263	–	–	–	–	–	–	14,263	–	14,263
Proposed 2007 final dividend	16	–	–	–	–	–	–	–	–	–	(54,702)	54,702	–	–	–
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	–	(419)	(419)
At 31 December 2007 and 1 January 2008		**681,481**	**169,280***	**–***	**14,858***	**335,500***	**–***	**–***	**24,269***	**40,619***	**(148,392)***	**54,702**	**1,172,317**	**49,059**	**1,221,376**
Exchange realignment and total income and expense for the year recognised directly in equity		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,684**	**–**	**–**	**–**	**17,684**	**1,039**	**18,723**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(414,598)**	**–**	**(414,598)**	**(6,093)**	**(420,691)**
Total income and expense for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,684**	**–**	**(414,598)**	**–**	**(396,914)**	**(5,054)**	**(401,968)**
Exercise of share options	35(b)	**5,700**	**1,039**	**–**	**(1,039)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,700**	**–**	**5,700**
Repurchase and cancellation of shares	35(c)	**(9,721)**	**–**	**9,721**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,604)**	**–**	**(10,604)**	**–**	**(10,604)**
Equity-settled share option arrangements	36(a)	**–**	**–**	**–**	**52,301**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**52,301**	**–**	**52,301**
Capital contribution from a minority shareholder		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,705**	**1,705**
Deemed disposal of a partial interest in an associate		**–**	**–**	**–**	**–**	**(4,567)**	**–**	**–**	**(137)**	**(234)**	**4,938**	**–**	**–**	**–**	**–**
Transfer to accumulated losses		**–**	**–**	**–**	**–**	**(310,459)**	**–**	**–**	**–**	**–**	**310,459**	**–**	**–**	**–**	**–**
Transfer to PRC reserve funds		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**446**	**(446)**	**–**	**–**	**–**	**–**
Final 2007 dividend	16	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(272)**	**(54,702)**	**(54,974)**	**–**	**(54,974)**
Dividends paid to minority shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(91)**	**(91)**
At 31 December 2008		**677,460**	**170,319***	**9,721***	**66,120***	**20,474***	**–***	**–***	**41,816***	**40,831***	**(258,915)***	**–**	**767,826**	**45,619**	**813,445**

* These reserve accounts comprise the reserves of HK$90,366,000 (2007: HK$436,134,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**(431,267)**	304,460
From discontinued operation	14(a)	**–**	17,965
Adjustments for:			
Finance costs:			
Attributable to continuing operations		**–**	2,610
Attributable to the discontinued operation	14(a)	**–**	250
Share of profits and losses of jointly-controlled entities	23(a)	**(889)**	55,120
Share of profits and losses of associates	24(a)	**17,982**	(5,193)
Bank interest income	5	**(10,378)**	(13,993)
Imputed interest on interest-free trade and other receivables with extended credit periods	5	**(1,094)**	(2,315)
Fair value loss/(gain) on investment properties, net	10	**1,326**	(4,265)
Loss/(gain) on disposal of interests in subsidiaries, net	10	**470**	(4,017)
Provision against inventories, net	10	**1,008**	–
Gain on disposal of available-for-sale investments carried at cost	5	**–**	(1,095)
Gains on deemed disposal of a partial interest in a subsidiary	6	**–**	(69,129)
Gain on disposal of a partial interest in an associate	7	**–**	(118,628)
Losses/(gains) on deemed disposal of a partial interest in an associate	8	**2,394**	(251,396)
Loss/(gain) on disposal of items of property, plant and equipment, net	10	**2**	(922)
Depreciation	10	**2,487**	7,195
Amortisation of other intangible assets	10	**2,730**	2,690
Impairment of goodwill of the Group	20	**–**	35,345
Impairment of an available-for-sale investment carried at fair value	10	**–**	734
Impairment of an interest in an associate	24(a)	**310,459**	–
Impairment of an amount due from an associate	10	**33**	3,973
Impairment/(reversal of impairment) of trade and bills receivables, net	10	**(1,656)**	9,034
Impairment/(reversal of impairment) of other receivables, net	10	**(1,150)**	6,711
Employee share option expense	10	**52,301**	13,819
		(55,242)	(11,047)

CONSOLIDATED CASH FLOW STATEMENT (continued)

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Decrease/(increase) in inventories		**6,422**	(24,745)
Increase in amounts due from contract customers		**(675)**	(16,351)
Decrease in trade and bills receivables		**5,860**	7,773
Decrease in prepayments, deposits and other receivables		**19,568**	19,691
Increase/(decrease) in trade and bills payables		**(84,083)**	140,208
Decrease in amounts due to contract customers		**(5,689)**	(1,532)
Increase/(decrease) in other payables and accruals		**36,772**	(32,081)
Cash generated from/(used in) operations		**(77,067)**	81,916
Interest received		**10,378**	13,993
Interest paid		**–**	(2,860)
Overseas and Mainland China corporate income taxes paid		**(3,927)**	(4,305)
Dividends paid to minority shareholders		**(91)**	(419)
Net cash inflow/(outflow) from operating activities		**(70,707)**	88,325
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	18	**(5,121)**	(3,956)
Proceeds from disposal of items of property, plant and equipment		**29**	33,321
Proceeds from disposal of investment properties		**–**	12,750
Purchases of other intangible assets	21	**(479)**	–
Proceeds from disposal of available-for-sale investments		**–**	1,596
Disposal of subsidiaries	38(a)	**12,318**	(875)
Deconsolidation of subsidiaries	38(b)	**–**	(182,915)
Investment in a jointly-controlled entity		**–**	(17,021)
Decrease/(increase) in an amount due from a jointly-controlled entity		**38**	(1,106)
Proceeds from disposal of a partial interest in an associate		**–**	132,007
Increase in an amount due from an associate		**(33)**	(33)
Purchase of an available-for-sale investment		**(3,977)**	–
Increase in time deposits with maturity of more than three months when acquired		**(126,136)**	–
Decrease in pledged deposits		**5,507**	12,246
Net cash outflow from investing activities		**(117,854)**	(13,986)

CONSOLIDATED CASH FLOW STATEMENT (continued)

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	35(a), (b)	5,700	254,500
Share issue expenses	35	–	(5,856)
Repurchase of shares	35(c)	(10,604)	–
Increase in trust receipt loans		–	6,154
New bank loans		–	7,720
Repayment of bank loans		–	(85,407)
Dividend paid		(54,974)	–
Capital contribution from minority shareholders		1,705	175,351
Net cash inflow/(outflow) from financing activities		(58,173)	352,462
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(246,734)	426,801
Cash and cash equivalents at beginning of year		718,373	281,052
Effect of foreign exchange rate changes, net		14,639	10,520
CASH AND CASH EQUIVALENTS AT END OF YEAR		486,278	718,373
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	31	617,471	728,263
Less: Pledged deposits	31	(5,057)	(9,890)
Time deposits with maturity of more than three months when acquired		(126,136)	–
		486,278	718,373

Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**252**	259
Interests in subsidiaries	22	**532,899**	407,266
Total non-current assets		**533,151**	407,525
CURRENT ASSETS			
Prepayments, deposits and other receivables	29	**25,007**	32,840
Cash and cash equivalents	31	**210,181**	507,755
Total current assets		**235,188**	540,595
CURRENT LIABILITIES			
Other payables and accruals	33	**8,934**	13,214
NET CURRENT ASSETS		**226,254**	527,381
Net assets		**759,405**	934,906
EQUITY			
Issued capital	35	**677,460**	681,481
Reserves	37(b)	**81,945**	198,723
Proposed final dividend	16	**–**	54,702
Total equity		**759,405**	934,906

E Meng
Director

Wang Yong
Director

Notes To Financial Statements

31 December 2008

1. Corporate Information

Beijing Development (Hong Kong) Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Room 3401, 34th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, 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; (iv) the development and sale of software; and (v) the implementation of smart card systems.

The Group's restaurant operation, which operated in the People's Republic of China (the "PRC"), Thailand, Indonesia, Singapore and Malaysia, was discontinued during the year ended 31 December 2007, further details of which are set out in note 14 to the financial statements.

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 (the "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 (i) investment properties, which have been measured at fair value; and (ii) certain buildings, which are stated at valuation at 31 December 1994, as further explained in note 2.4 to the financial statements. 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 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries in prior years had been accounted for using the purchase method of accounting. This method involved allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition was measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Notes To Financial Statements

31 December 2008

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements:

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements.

2.3 Impact of Issued but Not Yet Effective Hong Kong Financial Reporting Standards

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 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* [2]
HKFRS 8	*Operating Segments* [2]
HKAS 1 (Revised)	*Presentation of Financial Statements* [2]
HKAS 23 (Revised)	*Borrowing Costs* [2]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]

2.3 Impact of Issued but Not Yet Effective Hong Kong Financial Reporting Standards (continued)

HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [2]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives* [3]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [2]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [5]

[1] *Effective for annual periods beginning on or after 1 July 2009.*
[2] *Effective for annual periods beginning on or after 1 January 2009.*
[3] *Effective for annual periods beginning on or after 1 July 2008.*
[4] *Effective for annual periods beginning on or after 1 October 2008.*
[5] *Effective for transfers of assets from customers recorded on or after 1 July 2009.*

Further information about those changes that are relevant to the Group and are expected to significantly affect the Group is as follows:

The HKAS 27 Amendment requires all dividends from subsidiaries, jointly-controlled entities or associates to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The Group expects to adopt the HKAS 27 Amendment from 1 January 2009. The amendments have no impact on the consolidated financial statements.

Notes To Financial Statements

31 December 2008

2.3 Impact of Issued but Not Yet Effective Hong Kong Financial Reporting Standards (continued)

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised HKAS 27 changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*. The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in the income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in the income statement. Other consequential amendments were made to HKAS 10 *Events after the Balance Sheet Date* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

2.3 Impact of Issued but Not Yet Effective Hong Kong Financial Reporting Standards (continued)

Apart from the above, in October 2008, the HKICPA has issued its first *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, the amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

* *Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.*

Those amendments that are expected to have a significant impact on the Group are as follows:

(a) HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest.

(b) HKFRS 7 *Financial Instruments*: *Disclosures*: Removes the reference to "total interest income" as a component of finance costs.

(c) HKAS 1 *Presentation of Financial Statements*: Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the balance sheet.

(d) HKAS 16 *Property, Plant and Equipment*: Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is calculated as the higher of an asset's fair value less costs to sell and its value in use.

In addition, items held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventories when rental ceases and they are held for sale.

(e) HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*: Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

(f) HKAS 27 *Consolidated and Separate Financial Statements*: Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

2.3 Impact of Issued but Not Yet Effective Hong Kong Financial Reporting Standards (continued)

(g) HKAS 28 *Investments in Associates*: Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

(h) HKAS 36 *Impairment of Assets*: When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

(i) HKAS 38 *Intangible Assets*: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

(j) HKAS 40 *Investment Property*: Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

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2.4 Summary of Significant Accounting Policies (continued)

Joint ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Group has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39 if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Goodwill arising on the acquisition of a jointly-controlled entity is included as part of the Group's interests in jointly-controlled entities. The impairment of goodwill arising on the acquisition of a jointly-controlled entity is included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

Notes To Financial Statements

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2.4 Summary of Significant Accounting Policies (continued)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled 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.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Goodwill arising on the acquisition of an associate is included as part of the Group's interests in associates. The impairment of goodwill arising on the acquisition of an associate is included in the "Share of profits and losses of associates" on the face of the consolidated income statement.

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity;

(c) the party is an associate;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Goodwill

Goodwill arising on the acquisition of subsidiaries, a jointly-controlled entity and an associate represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of a jointly-controlled entity and an associate, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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2.4 Summary of Significant Accounting Policies (continued)

Goodwill (continued)

The carrying amount of goodwill is reviewed 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 forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant 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, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

A valuation was carried out for certain buildings of the Group at 31 December 1994 with the changes in their values being dealt with as a movement in the property revaluation reserve. The Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16 *Property, Plant and Equipment*, from the requirement to carry out regular revaluations of these buildings which were stated at valuation in financial statements relating to periods ended before 30 September 1995. An annual transfer from the property revaluation reserve to accumulated losses is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. The property revaluation reserve is transferred directly to accumulated losses when the reserve is realised completely on the disposal or retirement of the assets, or partially as the assets are used by the Group.

Notes To Financial Statements

31 December 2008

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

Buildings	Over the lease terms or 4%
Leasehold improvements	Over the lease terms or 10 years, whichever is shorter
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	12.5% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation 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 balance sheet date.

An item of property, plant and equipment 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 income statement in the period 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 balance sheet date.

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

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of the retirement or disposal.

2.4 Summary of Significant Accounting Policies (continued)

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 lessor, rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the buildings as a finance lease in property, plant and equipment.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and 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 balance sheet date.

An intangible asset is derecognised on 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 income statement in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Management information systems

Management information systems are stated at cost less any accumulated impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Licences

Licences are stated at cost less any accumulated impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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2.4 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill) (continued)

Computer software

Computer software are stated at cost less any accumulated impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, goodwill, deferred tax assets, 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 to sell, 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 income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any 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 income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables and available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in unlisted equity investments and a golf club debenture that are designated as available for sale or are not classified in the other category. After initial recognition, available-for-sale investments are measured at fair value, with gains or losses recognised as movements in the investment revaluation reserve until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in the investment revaluation reserve is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment of available-for-sale investments" and are transferred from the investment revaluation reserve.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for those investments or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any accumulated impairment losses.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss 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 been incurred) 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 either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and bills receivables and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale investment carried at fair value

If an available-for-sale investment carried at fair value is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from the investment revaluation reserve to the income statement. A provision for impairment is made for the available-for-sale investment when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. Impairment loss on the golf club debenture classified as available for sale is reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Available-for-sale investments carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity investment that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

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 derecognised where:

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

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, amounts due to contract customers, other payables and accruals are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

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 income statement.

Treasury shares

Repurchase of the Company's own ordinary shares is recognised directly in equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own ordinary shares.

2.4 Summary of Significant Accounting Policies (continued)

Treasury shares (continued)

Upon repurchase and cancellation of the Company's own ordinary shares, the issued share capital of the Company is reduced by the nominal value thereof and the premium paid on repurchase of the Company's own ordinary shares is charged to the retained profits/accumulated losses of the Company. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to nominal value of the shares cancelled upon repurchase is transferred from the retained profits/accumulated losses of the Company to the capital redemption reserve.

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 the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction 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 construction overheads.

Revenue from fixed price construction 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.

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.

Contracts for services

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

Revenue from the rendering of services 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.

2.4 Summary of Significant Accounting Policies (continued)

Contracts for services (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.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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 balance sheets, 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 balance sheet date 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 income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period 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.

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

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2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

- where the deferred tax liability arises from goodwill or 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and 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 interests in joint ventures, 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 each balance sheet date 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. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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 at the balance sheet date.

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.

2.4 Summary of Significant Accounting Policies (continued)

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 over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

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 construction contracts, on the percentage-of-completion basis, as further explained in the accounting policy for "Construction contracts" above;

(c) from the rendering of services, on the percentage-of-completion basis, as further explained in the accounting policy for "Contracts for services" above;

(d) from the sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;

(e) rental income, on a time proportion basis over the lease terms;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(g) investment income, when the right to receive payment has been established.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits

Share-based payment transactions

The Company and China Information Technology Development Limited ("CITD"), an associate of the Company, each 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 and CITD group's operations, respectively. Employees (including directors) of the respective groups receive remuneration in the form of share-based payment transactions, 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 36 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the prices of the shares of the Company and CITD ("market conditions"), if applicable.

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, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's and CITD group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement 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 awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, 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. 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.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

Upon the exercise of share options, the resulting shares issued are recorded by the Company or CITD as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company or CITD in their respective share premium accounts.

In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account. Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses.

Pension schemes

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Other borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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2.4 Summary of Significant Accounting Policies (continued)

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 are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. 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 determined.

The functional currencies of certain overseas and Mainland China subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in the exchange fluctuation reserve relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, 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 the disclosure of contingent liabilities, at the reporting date. However, 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.

3. Significant Accounting Judgements and Estimates (continued)

The major judgements, estimations 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, plant and equipment and intangible assets (other than goodwill)

The Group's management determines the residual values, useful lives and related depreciation/amortisation charges for the Group's property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant 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 residual values or useful lives 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 and therefore depreciation/amortisation in the future periods. The carrying amounts of property, plant and equipment and intangible assets (other than goodwill) carried as assets in the consolidated balance sheet as at 31 December 2008 were HK$11,290,000 (2007: HK$8,149,000) and HK$6,878,000 (2007: HK$8,546,000), respectively, details of which are set out in notes 18 and 21 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill in aggregate carried as an asset in the consolidated balance sheet as at 31 December 2008 was HK$68,625,000 (2007: HK$87,360,000), details of which are set out in notes 20 and 24(c) to the financial statements.

Impairment of property, plant and equipment and intangible assets (other than goodwill)

The carrying amounts of items of property, plant and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount of an item of property, plant and equipment is the higher of its fair value less costs to sell and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

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 each balance sheet date and makes provision against obsolete and slow-moving items. Management reassesses the estimation on each balance sheet date.

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. The carrying amount of inventories carried as an asset in the consolidated balance sheet as at 31 December 2008 was HK$29,664,000 (2007: HK$34,726,000), details of which are set out in note 26 to the financial statements.

Impairment of trade and bills receivables and other receivables

The policy for provision for impairment of trade and bills receivables and other receivables of the Group is based on the evaluation of collectibility 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. The carrying amounts of trade and bills receivables and other receivables carried as assets in the consolidated balance sheet as at 31 December 2008 were HK$116,609,000 (2007: HK$112,077,000) and HK$66,199,000 (2007: HK$89,004,000), respectively, details of which are set out in notes 28 and 29 to the financial statements.

Percentage of completion of construction work and service contracts

The Group recognises revenue according to the percentage of completion of the individual contract of construction work and services. The Group's management estimates the percentage of completion of construction work and service 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 activity undertaken in construction contracts and service contracts, the date at which the 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 construction contract and service contract as the contract progresses.

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3. Significant Accounting Judgements and Estimates (continued)

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.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed. The carrying amount of deferred tax assets carried as an asset in the consolidated balance sheet as at 31 December 2008 was HK$12,211,000 (2007: HK$704,000), details of which are set out in note 25 to the financial statements.

4. Segment Information

Over 90% of the Group's revenue and assets attributable to the continuing operations are generated from the provision of IT related services in Mainland China. In the opinion of the directors, the majority of the Group's activities constitutes one business and geographical segment. Accordingly, neither business nor geographical segment information is presented in accordance with HKAS 14 *Segment Reporting*.

The discontinued operation presented in these financial statements represented the restaurant operation which was operated in Mainland China, Thailand, Indonesia, Singapore and Malaysia and was discontinued during the year ended 31 December 2007, further details of which are set out in note 14 to the financial statements.

5. Revenue, Other Income and Gains, Net

Revenue, which is also the Group's turnover, represents (1) an appropriate proportion of contract revenue of construction contracts, net of value-added tax, business tax and government surcharges; (2) the net invoiced value of goods sold, net of value-added tax and government surcharges and after allowances for returns and trade discounts; (3) an appropriate proportion of contract revenue of the services rendered, net of business tax and government surcharges; (4) gross rental income; and (5) receipts from restaurant operation during the year.

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

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

	Notes	2008 HK$'000	2007 HK$'000
Revenue			
Construction contracts		**210,045**	265,289
Sale of softwares		**59,799**	43,528
Rendering of services		**20,467**	46,002
Gross rental income		**2,912**	3,593
Receipts from restaurant operation		**–**	143,784
		293,223	502,196
Attributable to:			
Continuing operations reported in the consolidated income statement		**293,223**	358,412
Discontinued operation	14(a)	**–**	143,784
		293,223	502,196
Other income			
Bank interest income		**10,378**	13,993
Imputed interest on interest-free trade and other receivables with extended credit periods		**1,094**	2,315
Investment income		**837**	–
Compensation for termination of a contract	42(b)(iv)	**–**	14,755
Government grants*		**–**	878
Others		**390**	1,950
		12,699	33,891
Gains, net			
Fair value gain on investment properties, net	19	**–**	4,265
Gain on disposal of interests in subsidiaries, net	38(a)	**–**	4,017
Gain on disposal of available-for-sale investments carried at cost		**–**	1,095
Gain on disposal of items of property, plant and equipment, net		**–**	922
		–	10,299
Other income and gains, net		**12,699**	44,190
Attributable to:			
Continuing operations reported in the consolidated income statement		**12,699**	39,435
Discontinued operation	14(a)	**–**	4,755
		12,699	44,190

* The government grants represented PRC and overseas tax subsidies, which comprised corporate income tax and value-added tax refunds. The government grants are unconditional.

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6. Gains on Deemed Disposal of a Partial Interest in a Subsidiary

The gains on deemed disposal of a partial interest in a subsidiary recognised during the year ended 31 December 2007 arose from (i) the dilution of the Group's effective equity interest in CITD from 55.05% to 45.43% following the issuance of 300,000,000 and 468,000,000 new ordinary shares by CITD in February and May 2007, respectively, and (ii) the exercise of share options of CITD by certain share option holders for 46,300,000 ordinary shares of CITD in aggregate during the period from March to April 2007.

CITD ceased to be a subsidiary and became an associate of the Group upon its issuance of 468,000,000 new ordinary shares in May 2007. Further details of the deconsolidation of CITD and its subsidiaries during the year ended 31 December 2007 are set out in note 38(b) to the financial statements.

7. Gain on Disposal of a Partial Interest in an Associate

The gain on disposal of a partial interest in an associate recognised during the year ended 31 December 2007 of HK$118,628,000 was attributable to the disposal of 220,000,000 ordinary shares of CITD in June 2007 by the Group.

8. Gains/(Losses) on Deemed Disposal of a Partial Interest in an Associate

The losses on deemed disposal of a partial interest in an associate recognised during the year ended 31 December 2008 arose from the conversion of convertible bonds of CITD by a bondholder for 261,000,000 new ordinary shares of CITD in aggregate during the period from February to April 2008. As further explained in note 24(a) to the financial statements, no relevant and reliable financial information had been made available to enable the Group to account for its interests in CITD for the year ended 31 December 2008. Accordingly, the losses on deemed disposal of CITD recognised during the year ended 31 December 2008 were determined based on the carrying amount of the Group's interest in CITD as at 31 December 2007.

The gains on deemed disposal of a partial interest in an associate recognised during the prior year arose from (i) the exercise of share options of CITD by certain share option holders for 17,000,000 ordinary shares of CITD in aggregate during the period from May to September 2007; and (ii) the issuance of 1,560,000,000 new ordinary shares by CITD in September 2007.

9. Finance Costs

The Group's finance costs for the year ended 31 December 2007 were interest on bank loans which was fully settled in 2007.

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10. Profit/(Loss) Before Tax

The Group's profit/(loss) before tax (including those attributable to the discontinued operation) is arrived at after charging/(crediting):

	Notes	Group 2008 HK$'000	Group 2007 HK$'000
Cost of inventories sold		**277,836**	332,862
Cost of services provided		**12,398**	59,352
Provision against inventories, net		**1,008**	–
Depreciation	18	**2,487**	7,195
Operating lease rentals for land and buildings:			
Minimum lease payments		**8,475**	12,810
Contingent rents		**–**	1,381
		8,475	14,191
Amortisation of other intangible assets@	21	**2,730**	2,690
Fair value loss/(gain) on investment properties, net	19	**1,326**	(4,265)
Impairment of goodwill#		**17,983**	58,412
Impairment of an available-for-sale investment carried at fair value		**–**	734
Impairment of an amount due from an associate	24(d)	**33**	3,973
Impairment/(reversal of impairment) of trade and bills receivables, net	28(c)	**(1,656)**	9,034
Impairment/(reversal of impairment) of other receivables, net	29(c)	**(1,150)**	6,711
Loss/(gain) on disposal of items of property, plant and equipment, net		**2**	(922)
Loss/(gain) on disposal of interests in subsidiaries, net	38(a)	**470**	(4,017)
Auditors' remuneration:			
Current year's provision		**2,580**	3,082
Prior year's (over)/underprovision		**(142)**	48
		2,438	3,130
Employee benefits expense (including directors' remuneration – note 11):			
Wages and salaries		**39,078**	49,459
Pension scheme contributions		**1,852**	1,736
Equity-settled share option expense	36(a)	**52,301**	13,819
		93,231	65,014
Net rental income		**(844)**	(1,379)
Foreign exchange differences, net		**390**	184

10. Profit/(Loss) Before Tax (continued)

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

The impairment of goodwill recognised in the income statement for the year ended 31 December 2008 is an impairment provision against the goodwill arising on the acquisition of CITD (notes 24(a) and (c)), which is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

The impairment of goodwill recognised in the income statement for the year ended 31 December 2007 comprised the impairment of goodwill arising on acquisition of subsidiaries and a jointly-controlled entity in amounts of HK$35,345,000 (note 20) and HK$23,067,000 (notes 23(a) and (c)), respectively, which are included in "Other expenses, net" and "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement, respectively.

11. Directors' Remuneration

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

	Group	
	2008	2007
	HK$'000	HK$'000
Fees:		
Executive directors	**585**	480
Independent non-execution directors	**360**	300
	945	780
Other emoluments:		
Salaries, allowances and benefits in kind	**1,709**	1,434
Discretionary bonuses	**–**	1,828
Pension scheme contributions	**193**	63
Equity-settled share option expense	**28,965**	7,023
	30,867	10,348
	31,812	11,128

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11. Directors' Remuneration (continued)

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 36 to the financial statements. The fair value of such share options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Equity-settled share option expense	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008						
Mr. E Meng	**100**	**–**	**–**	**–**	**6,062**	**6,162**
Mr. Zhang Honghai	**100**	**–**	**–**	**–**	**5,118**	**5,218**
Mr. Wang Yong	**100**	**522**	**–**	**60**	**5,116**	**5,798**
Mr. Cao Wei	**100**	**538**	**–**	**60**	**4,390**	**5,088**
Mr. Yan Qing	**21**	**111**	**–**	**12**	**306**	**450**
Mr. Ng Kong Fat, Brian	**100**	**–**	**–**	**1**	**3,910**	**4,011**
Mr. Li Kangying	**64**	**538**	**–**	**60**	**2,637**	**3,299**
Dr. Yu Xiaoyang	**–**	**–**	**–**	**–**	**–**	**–**
	585	**1,709**	**–**	**193**	**27,539**	**30,026**
2007						
Mr. E Meng	80	–	716	–	1,037	1,833
Mr. Zhang Honghai	80	–	–	–	1,567	1,647
Mr. Wang Yong	80	327	–	19	1,382	1,808
Mr. Cao Wei	80	391	205	19	922	1,617
Mr. Ng Kong Fat, Brian	80	325	246	6	921	1,578
Mr. Li Kangying	80	391	511	19	1,037	2,038
Dr. Yu Xiaoyang	–	–	–	–	–	–
	480	1,434	1,678	63	6,866	10,521

11. Directors' Remuneration (continued)

(b) Independent non-executive directors

	Fees HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2008				
Dr. Jin Lizuo	**120**	**–**	**512**	**632**
Dr. Huan Guocang	**120**	**–**	**457**	**577**
Dr. Wang Jianping	**120**	**–**	**457**	**577**
Mr. Cao Guixing	**–**	**–**	**–**	**–**
Prof. Liu Wei	**–**	**–**	**–**	**–**
	360	**–**	**1,426**	**1,786**
2007				
Dr. Jin Lizuo	100	50	157	307
Mr. Cao Guixing	100	50	–	150
Prof. Liu Wei	100	50	–	150
	300	150	157	607

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

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12. Five Highest Paid Employees

The five highest paid employees during the year included four (2007: four) directors, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining one (2007: one) non-director, highest paid employee for the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,078**	1,022
Discretionary bonuses	**20**	164
Pension scheme contributions	**12**	12
Equity-settled share option expense	**4,198**	1,175
	5,308	2,373

During the year, share options were granted to the non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 36 to the financial statements. The fair value of such share options, which has been recognised in the income statement over the relevant vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employee's remuneration disclosures.

13. Tax

No provision for Hong Kong profits tax has been made for the current year as the Group did not generate any assessable profits arising in Hong Kong during the year. In respect of the year ended 31 December 2007, Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

During the 5th session of the 10th National People's Congress of the PRC, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New PRC CIT Law") was approved and became effective from 1 January 2008. The New PRC CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. In respect of the year ended 31 December 2007, in accordance with the relevant tax rules and regulations of the PRC, certain of the Company's subsidiaries, jointly-controlled entities and associates in Mainland China enjoy income tax exemptions and reductions and are subject to income tax rates ranging from 7.5% to 15%.

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13. Tax (continued)

		Group	
	Notes	**2008** **HK$'000**	2007 HK$'000
Current – Hong Kong			
Charge for the year		**–**	51
Current – Elsewhere			
Charge for the year		**403**	3,844
Underprovision in prior years		**479**	88
Deferred	25	**(11,458)**	(189)
Total tax charge/(credit) for the year		**(10,576)**	3,794
Attributable to:			
Continuing operations reported in the consolidated income statement		**(10,576)**	2,080
Discontinued operation	14(a)	**–**	1,714
		(10,576)	3,794

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13. Tax (continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax (including those attributable to the discontinued operation) using the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2008

	Hong Kong		Mainland China		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	**(393,430)**		**(37,100)**		**(737)**		**(431,267)**	
Tax at the statutory tax rate	**(64,916)**	**16.5**	**(9,275)**	**25.0**	**(221)**	**30.0**	**(74,412)**	**17.3**
Effect on opening deferred tax of increase in rates	**–**	**–**	**(469)**	**1.3**	**–**	**–**	**(469)**	**0.1**
Adjustments in respect of current tax of previous periods	**–**	**–**	**475**	**(1.3)**	**4**	**(0.5)**	**479**	**(0.1)**
Profits and losses attributable to jointly-controlled entities	**–**	**–**	**(222)**	**0.6**	**–**	**–**	**(222)**	**–**
Profits and losses attributable to associates	**2,967**	**(0.8)**	**–**	**–**	**–**	**–**	**2,967**	**(0.7)**
Income not subject to tax	**(1,456)**	**0.4**	**(314)**	**0.8**	**–**	**–**	**(1,770)**	**0.4**
Expenses not deductible for tax	**60,995**	**(15.5)**	**536**	**(1.4)**	**221**	**(30.0)**	**61,752**	**(14.3)**
Tax losses not recognised	**2,410**	**(0.6)**	**3,737**	**(10.1)**	**–**	**–**	**6,147**	**(1.4)**
Other previously unrecognised deferred tax assets recognised during the year	**–**	**–**	**(5,048)**	**13.6**	**–**	**–**	**(5,048)**	**1.2**
Tax charge/(credit) at the Group's effective rate	**–**	**–**	**(10,580)**	**28.5**	**4**	**(0.5)**	**(10,576)**	**2.5**

Group – 2007

	Hong Kong		Mainland China		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax (including profit from the discontinued operation)	(43,330)		349,111		16,644		322,425	
Tax at the statutory tax rate	(7,583)	17.5	115,207	33.0	4,993	30.0	112,617	34.9
Lower tax rate for specific provinces or local authority	–	–	1,457	0.4	(2,014)	(12.1)	(557)	(0.2)
Adjustments in respect of current tax of previous periods	–	–	93	–	(5)	–	88	–
Profits and losses attributable to jointly-controlled entities	–	–	18,554	5.3	(332)	(2.0)	18,222	5.7
Profits and losses attributable to associates	–	–	(1,714)	(0.5)	–	–	(1,714)	(0.5)
Income not subject to tax	(1,201)	2.8	(144,648)	(41.4)	(1,471)	(8.9)	(147,320)	(45.7)
Expenses not deductible for tax	7,297	(16.8)	10,315	3.0	348	2.1	17,960	5.6
Tax losses utilised from previous periods	(43)	–	–	–	(5)	–	(48)	–
Tax losses not recognised	1,581	(3.6)	2,965	0.8	–	–	4,546	1.4
Tax charge at the Group's effective rate	51	(0.1)	2,229	0.6	1,514	9.1	3,794	1.2

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14. Discontinued Operation

Pursuant to a share transfer agreement (the "Ah Yat Agreement") dated 11 May 2007 entered into between the Company and a third party (the "Ah Yat Acquirer"), the Company disposed of its entire 51% equity interest in BD Ah Yat Abalone Group Limited ("BD Ah Yat") to the Ah Yat Acquirer for a cash consideration of HK$25,300,000 during the year ended 31 December 2007.

Approval from independent shareholders of the Company regarding the transaction was obtained on 20 June 2007 and the disposal transaction was completed on 22 June 2007. The Group no longer holds any interests in BD Ah Yat thereafter and the cash consideration of HK$25,300,000 had been fully settled by March 2008.

The Group's restaurant operation, being a major separate business segment of the Group, was solely undertaken by BD Ah Yat. Accordingly, the restaurant operation of the Group was discontinued upon the completion of the disposal transaction.

(a) The results of the discontinued operation dealt with in the consolidated financial statements for the year ended 31 December 2007 are summarised as follows:

Group

	Notes	2007 HK$'000
Revenue	5	143,784
Other income and gains	5	446
Cost of sales and operating expenses		(131,429)
Finance costs	9	(250)
Share of profits and losses of jointly-controlled entities	23(a)	1,105
Profit before tax of the discontinued operation	10	13,656
Gain on disposal of the discontinued operation	5	4,309
Profit before tax from the discontinued operation		17,965
Tax related to profit before tax of the discontinued operation	13	(1,714)
Profit for the year from the discontinued operation		16,251
Attributable to:		
Shareholders of the Company		9,556
Minority interests		6,695
		16,251

Notes To Financial Statements

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14. Discontinued Operation (continued)

(b) The net cash flows of the discontinued operation dealt with in the consolidated financial statements for the year ended 31 December 2007 are as follows:

Group

	2007 HK$'000
Net cash inflow from operating activities	18,041
Net cash outflow from investing activities	(638)
Net cash outflow from financing activities	(17,483)
Net cash outflow attributable to the discontinued operation	(80)

(c) Earnings per share from the discontinued operation:

	2007
Basic, from the discontinued operation	HK1.46 cents
Diluted, from the discontinued operation	HK1.45 cents

The calculation of basic and diluted earnings per share amounts from the discontinued operation is based on:

	2007
Profit for the year attributable to shareholders of the Company from the discontinued operation	HK$9,556,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 17)	655,305,260
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation (note 17)	661,298,859

15. Profit/(Loss) for the Year Attributable to Shareholders of the Company

The consolidated profit/(loss) attributable to shareholders of the Company for the year ended 31 December 2008 includes a loss of HK$167,924,000 (2007: a profit of HK$231,099,000) which has been dealt with in the financial statements of the Company (note 37(b)).

16. Proposed Final Dividend

The directors of the Company do not recommend the payment of any dividend in respect of the year (2007: HK$54,702,000).

The proposed special final dividend of HK8 cents per ordinary share for the year ended 31 December 2007 has been approved by the Company's shareholders at the 2008 annual general meeting.

The actual special final dividend paid for the year ended 31 December 2007 was HK$54,974,000 due to additional shares issued during the period between 8 April 2008 (the date of approval of the financial statements of the Company and the Group for the year ended 31 December 2007) and 20 May 2008 (the date of closure of the register of members).

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

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year and the profit/(loss) for the year from continuing operations attributable to shareholders of the Company for the year ended 31 December 2008 and the weighted average of 683,962,150 (2007: 655,305,260) ordinary shares in issue during the year.

A diluted loss per share amount for the year ended 31 December 2008 had not been disclosed as (i) the share options of the Company outstanding during the year has an anti-dilutive effect on the basic loss per share amounts for the year; and (ii) the deemed exercise of the outstanding share options and deemed conversion of the convertible bonds issued by CITD do not have a diluting effect on the basic loss per share amounts for the year.

The calculation of diluted earnings per share amounts for the year ended 31 December 2007 was based on the profit for that year attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all outstanding convertible bonds of CITD and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options of the Company into ordinary shares. The deemed exercise of the outstanding share options of CITD during that year did not have a diluting effect on the basic earnings per share amounts for that year.

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17. Earnings/(Loss) per Share Attributable to Shareholders of the Company (continued)

The calculation of the basic and diluted earnings per share amounts for the year ended 31 December 2007 is based on the following data:

	2007 HK$'000
Earnings:	
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation:	
From continuing operations	307,924
From the discontinued operation (note 14(c))	9,556
	317,480
Decrease in the Group's share of profit of CITD, as a result of the dilution of interest in CITD assuming that all outstanding convertible bonds issued by CITD were converted	(3,658)
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	313,822
Attributable to:	
Continued operations	304,266
Discontinued operation	9,556
	313,822

	2007
Number of ordinary shares:	
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	655,305,260
Effect of dilution of share options – weighted average number of ordinary shares	5,993,599
Weighted average number of ordinary shares used in diluted earnings per share calculation	661,298,859

Notes To Financial Statements

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18. Property, Plant and Equipment

Group

	Buildings* HK$'000	Leasehold improve-ments HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2008					
At 31 December 2007 and 1 January 2008:					
Cost	–	3,055	20,567	4,106	27,728
Accumulated depreciation	–	(2,462)	(14,835)	(2,282)	(19,579)
Net carrying amount	–	593	5,732	1,824	8,149
Net carrying amount:					
At 1 January 2008	–	593	5,732	1,824	8,149
Additions	–	739	2,275	2,107	5,121
Depreciation provided during the year	–	(422)	(1,500)	(565)	(2,487)
Disposals	–	–	(31)	–	(31)
Exchange realignment	–	32	382	124	538
At 31 December 2008	–	942	6,858	3,490	11,290
At 31 December 2008:					
Cost	–	3,482	23,995	6,641	34,118
Accumulated depreciation	–	(2,540)	(17,137)	(3,151)	(22,828)
Net carrying amount	–	942	6,858	3,490	11,290

Notes To Financial Statements

31 December 2008

18. Property, Plant and Equipment (continued)

Group (continued)

	Buildings* HK$'000	Leasehold improve-ments HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2007					
At 1 January 2007:					
Cost or valuation	45,563	49,401	59,512	8,702	163,178
Accumulated depreciation	(11,770)	(37,452)	(40,574)	(4,524)	(94,320)
Net carrying amount	33,793	11,949	18,938	4,178	68,858
Net carrying amount:					
At 1 January 2007	33,793	11,949	18,938	4,178	68,858
Additions	–	138	3,139	679	3,956
Depreciation provided during the year	(887)	(1,742)	(3,632)	(934)	(7,195)
Disposals	(32,119)	(182)	(71)	(27)	(32,399)
Disposal of subsidiaries (note 38(a))	(855)	(9,476)	(9,096)	(721)	(20,148)
Deconsolidation of subsidiaries (note 38(b))	–	(155)	(3,882)	(1,471)	(5,508)
Exchange realignment	68	61	336	120	585
At 31 December 2007	–	593	5,732	1,824	8,149

NOTES TO FINANCIAL STATEMENTS

31 December 2008

18. Property, Plant and Equipment (continued)

Company

	Buildings* HK$'000	Leasehold improvements HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2008					
At 31 December 2007 and 1 January 2008:					
Cost	–	811	365	–	1,176
Accumulated depreciation	–	(669)	(248)	–	(917)
Net carrying amount	–	142	117	–	259
Net carrying amount:					
At 1 January 2008	–	142	117	–	259
Additions	–	–	125	161	286
Depreciation provided during the year	–	(122)	(85)	(86)	(293)
At 31 December 2008	–	20	157	75	252
At 31 December 2008:					
Cost	–	344	469	161	974
Accumulated depreciation	–	(324)	(312)	(86)	(722)
Net carrying amount	–	20	157	75	252
31 December 2007					
At 1 January 2007:					
Cost or valuation	43,500	1,148	374	234	45,256
Accumulated depreciation	(11,629)	(857)	(196)	(138)	(12,820)
Net carrying amount	31,871	291	178	96	32,436
Net carrying amount:					
At 1 January 2007	31,871	291	178	96	32,436
Additions	–	–	30	–	30
Depreciation provided during the year	(855)	(149)	(73)	(69)	(1,146)
Disposals	(31,016)	–	(18)	(27)	(31,061)
At 31 December 2007	–	142	117	–	259

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18. Property, Plant and Equipment (continued)

* A revaluation of the Company's buildings situated in Hong Kong as at 1 January 2007 was carried out by CB Richard Ellis Limited, independent professionally qualified valuers, on an open market, existing use basis as at 31 December 1994. Since 1995, no further revaluations of the buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16 from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time. The buildings were disposed of during the year ended 31 December 2007.

19. Investment Properties

	Group	
	2008	2007
	HK$'000	HK$'000
Carrying amount at 1 January	**42,180**	48,390
Fair value gain/(loss) on revaluation, net	**(1,326)**	4,265
Disposal	**–**	(12,750)
Exchange realignment	**2,876**	2,275
Carrying amount at 31 December	**43,730**	42,180

The Group's investment properties are situated in Mainland China and are held under medium term leases. At 31 December 2008, the investment properties were revalued by 北京岳華德威資產評估有限公司, independent professionally qualified valuers registered in the PRC, on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 40(a) to the financial statements.

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20. Goodwill

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising on the acquisition of subsidiaries, is as follows:

		Group	
	Notes	2008 HK$'000	2007 HK$'000
At 1 January:			
Cost		**103,970**	140,964
Accumulated impairment		**(35,345)**	–
Net carrying amount		**68,625**	140,964
Net carrying amount:			
At 1 January		**68,625**	140,964
Impairment during the year recognised in the income statement	(a)	**–**	(35,345)
Derecognition upon deemed disposal of a partial interest in a subsidiary	(b)	**–**	(5,931)
Reclassification to interests in associates as a result of a subsidiary becoming an associate during the year	(b), 24(c)	**–**	(27,991)
Disposal of subsidiaries	(c), 38(a)	**–**	(3,072)
At 31 December		**68,625**	68,625
At 31 December:			
Cost		**103,970**	103,970
Accumulated impairment		**(35,345)**	(35,345)
Net carrying amount		**68,625**	68,625

The Group's goodwill as at 31 December 2008 and 2007 arose from the acquisition of Beijing Enterprises Teletron Information Technology Co., Ltd. ("BETIT"), a subsidiary of the Group, which was defined as a single cash-generating unit.

Notes To Financial Statements

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20. Goodwill (continued)

Notes:

(a) The recoverable amount of the cash-generating unit (2007: each of these cash-generating units) is determined by reference to a business valuation performed by CB Richard Ellis Limited, independent professionally qualified valuers, or the directors of the Company, where applicable, based on a value-in-use calculation. The calculation used cash flow projections based on financial budgets covering a five-year period as approved by senior management. The discount rate applied to the cash flow projections is 14% (2007: 12%), which is before tax and reflects specific risk relating to the relevant units. Budgeted gross margins are based on both the historical gross margin of the information technology and the expected market growth rates which range from 10% to 20% (2007: 5% to 15%). The values assigned to the key assumptions are consistent with external information sources. Based on the impairment testing of goodwill, in the opinion of the directors, no impairment provision is considered necessary for the Group's goodwill for the year ended 31 December 2008.

Impairment provisions of HK$16,611,000 and HK$18,734,000 were recognised in the income statement for the year ended 31 December 2007 for the goodwill attributable to the cash-generating units of BETIT and Beijing Enterprises Jetrich Holdings Limited, respectively, as the senior management of the Group believes that the recoverable amounts of the relevant business units are less than their respective carrying amounts with reference to the business valuations.

(b) The goodwill was allocated to CITD and was derecognised upon the dilution of the Group's effective equity interest in CITD from 55.05% to 45.43% following the issuance of 300,000,000 and 468,000,000 new ordinary shares by CITD in February and May 2007, respectively, and the exercise of share options of CITD by certain share option holders for 46,300,000 ordinary shares of CITD in aggregate during the period from March to April 2007.

CITD ceased to be a subsidiary and became an associate of the Group upon its issuance of 468,000,000 new ordinary shares in May 2007. Accordingly, the remaining goodwill of HK$27,991,000 that is attributable to the acquisition of CITD has been reclassified to interests in associates. Further details of the deconsolidation of CITD and its subsidiaries are set out in note 38(b) to the financial statements.

(c) Goodwill allocated to 廣州市東山區富臨飯店 and 北京博大電信通網絡技術有限公司 ("Boda"), former subsidiaries of the Group, of HK$1,545,000 and HK$1,527,000, was derecognised during the year ended 31 December 2007 upon disposal of the Group's interests in these subsidiaries during that year (note 38 (a)).

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21. Other Intangible Assets

Group

	Management information systems HK$'000	Licences HK$'000	Deferred development costs* HK$'000	Computer software HK$'000	Total HK$'000
31 December 2008					
At 31 December 2007 and 1 January 2008:					
Cost	**21,277**	**2,128**	**–**	**–**	**23,405**
Accumulated amortisation	**(13,121)**	**(1,738)**	**–**	**–**	**(14,859)**
Net carrying amount	**8,156**	**390**	**–**	**–**	**8,546**
Net carrying amount:					
At 1 January 2008	**8,156**	**390**	**–**	**–**	**8,546**
Additions	**–**	**–**	**–**	**479**	**479**
Amortisation provided during the year	**(2,273)**	**(417)**	**–**	**(40)**	**(2,730)**
Exchange realignment	**556**	**27**	**–**	**–**	**583**
At 31 December 2008	**6,439**	**–**	**–**	**439**	**6,878**
At 31 December 2008:					
Cost	**22,727**	**2,273**	**–**	**479**	**25,479**
Accumulated amortisation	**(16,288)**	**(2,273)**	**–**	**(40)**	**(18,601)**
Net carrying amount	**6,439**	**–**	**–**	**439**	**6,878**
31 December 2007					
At 1 January 2007:					
Cost	20,000	2,500	1,639	–	24,139
Accumulated amortisation	(10,333)	(1,333)	(684)	–	(12,350)
Net carrying amount	9,667	1,167	955	–	11,789
Net carrying amount:					
At 1 January 2007	9,667	1,167	955	–	11,789
Amortisation provided during the year	(2,000)	(417)	(273)	–	(2,690)
Deconsolidation of subsidiaries (note 38(b))	–	(384)	(682)	–	(1,066)
Exchange realignment	489	24	–	–	513
At 31 December 2007	8,156	390	–	–	8,546

* Internally generated

Notes To Financial Statements

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22. Interests in Subsidiaries

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted investments, at cost	**235,413**	236,357
Due from subsidiaries (note (a))	**618,315**	354,887
	853,728	591,244
Impairment of unlisted investments	**(24,412)**	(24,412)
Impairment of amounts due from subsidiaries (note (b))	**(296,417)**	(159,566)
	(320,829)	(183,978)
	532,899	407,266

Notes:

(a) The amounts due from subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

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

	Company	
	2008	2007
	HK$'000	HK$'000
At 1 January	**159,566**	126,998
Impairment during the year recognised in the income statement	**136,851**	32,568
At 31 December	**296,417**	159,566

22. Interests in Subsidiaries (continued)

Notes: (continued)

(b) (continued)

Included in the impairment during the year recognised in the income statement above is an aggregate amount of HK$133,983,000 made against the Company's amounts of HK$177,551,000 in aggregate due from Prime Technology Group Limited ("Prime") and E-tron Limited (collectively referred to as the "CITD Holding Subsidiaries") which hold a total of 29.18% equity interest in CITD, an associate of the Group listed on the Growth Enterprise Market Board of the Stock Exchange. The impairment loss was recognised following an impairment assessment carried out by the directors of the Company in response to, inter alia, the prolonged and significant decline in the market value of the shares of CITD held by the CITD Holding Subsidiaries at below their investment costs and the uncertainty as to the ultimate findings of the Special Investigation (as defined in note 24(a)). Further details about CITD and the impairment assessment are set out in note 24(a) to the financial statements.

(c) Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by Company	Percentage of attributable equity interest held by 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
北京北控電信通資訊科技有限公司#Ω	PRC/ Mainland China	RMB20,000,000	100	100	Office management
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
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. ("BE UniCard")Ω@	PRC/ Mainland China	HK$50,000,000	–	71.7	Operation of electronic payment cards
Beijing Fitness Card Co., Ltd. ("Beijing Fitness Card")Ω@	PRC/ Mainland China	RMB10,000,000	–	85	Operation of electronic payment cards

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22. Interests in Subsidiaries (continued)

Notes: (continued)

(c) Particulars of the principal subsidiaries are as follows: (continued)

Registered as wholly-foreign-owned enterprises under the PRC law
Ω Registered as limited liability companies under the PRC law
* Registered as Sino-foreign joint ventures under the PRC law
@ Established during the year

The principal subsidiaries disposed of by the Group during the year ended 31 December 2007 included BD Ah Yat and its subsidiaries, further details of the disposal transaction are included in notes 14 and 38(a) to the financial statements. Besides, certain subsidiaries of the Group have been deconsolidated during the year ended 31 December 2007, further details of which are included in notes 6 and 38(b) to the financial statements.

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.

23. Interests in Jointly-controlled Entities

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
Share of net assets	(a)	**12,365**	28,782
Due from a jointly-controlled entity	(b)	**1,477**	1,106
		13,842	29,888

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23. Interests in Jointly-controlled Entities (continued)

Notes:

(a) The following tables illustrate the summarised financial information of the Group's jointly-controlled entities:

	2008 HK$'000	2007 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**135,909**	170,827
Current assets	**368,410**	181,505
Current liabilities	**(520,752)**	(348,192)
Losses in excess of investment cost not absorbed by the Group	**28,798**	24,642
Net assets	**12,365**	28,782
Share of the jointly-controlled entities' results:		
Revenue	**86,122**	49,617
Other income	**50,555**	143
Total revenue	**136,677**	49,760
Total expenses	**(137,371)**	(104,363)
Tax	**(397)**	(2,092)
Loss for the year	**(1,091)**	(56,695)
Loss in excess of investment cost not absorbed by the Group	**1,980**	24,642
Profit/(loss) for the year shared by the Group	**889**	(32,053)
Impairment of goodwill during the year recognised in the income statement (notes 23(c) and 10)	**–**	(23,067)
Total profit/(loss) for the year shared by the Group	**889**	(55,120)
Attributable to:		
Continuing operations reported in the consolidated income statement	**889**	(56,225)
Discontinued operation (note 14(a))	**–**	1,105
	889	(55,120)

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23. Interests in Jointly-controlled Entities (continued)

Notes: (continued)

(b) The balance with the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the balance approximates to its fair value.

The Group's trade receivable balance with a jointly-controlled entity is disclosed in note 28 to the financial statements.

(c) The amount of goodwill included in the interests in jointly-controlled entities of the Group, arising on the acquisition of 北京市政交通一卡通有限公司 ("BMAC"), is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January:		
Cost	**23,067**	23,067
Accumulated impairment	**(23,067)**	–
	–	23,067
Net carrying amount:		
At 1 January	**–**	23,067
Impairment during the year recognised in the income statement (notes 23(a) and 10)	**–**	(23,067)
At 31 December	**–**	–
At 31 December:		
Cost	**23,067**	23,067
Accumulated impairment	**(23,067)**	(23,067)
	–	–

Impairment testing of goodwill

BMAC was established in Mainland China and is principally engaged in the operations of contactless multi-purpose electronic payment cards in Beijing, the PRC. During the year ended 31 December 2007, the majority of the smart card transactions of BMAC were attributable to major bus and subway operators in Beijing, with which BMAC had not yet reached a consensus or an agreement regarding the handling charges of the smart card transactions to be charged by BMAC. Accordingly, in the opinion of the management of BMAC and directors of the Company, a reliable financial budgets or cash flow projections could not be prepared for the purpose of the impairment testing of the goodwill arising on the acquisition of BMAC.

23. Interests in Jointly-controlled Entities (continued)

Notes: (continued)

(c) (continued)

Impairment testing of goodwill (continued)
Owing to the uncertainty as to the future profitability of BMAC, in the opinion of the directors of the Company, the recoverable amount of the BMAC cash-generating unit would be significantly lower than its carrying amount and a full impairment provision against the goodwill arising on the acquisition of BMAC of HK$23,067,000 was made during the year ended 31 December 2007.

(d) Particulars of the jointly-controlled entities, which are all indirectly held by the Company and registered/operated in Mainland China, are as follows:

Name	Paid-up and registered capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
BMAC	RMB100,000,000	43	44.4	43	Operations of contactless multi-purpose electronic payment cards
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

The Group's interest in 北京地鐵信息發展有限公司 ("BJ Subway Info"), a former jointly-controlled entity, was derecognised upon the disposal by the Group of its holding company, 北京北控電信通技術服務有限公司 ("BE Teletron Technical"), during the year. The carrying amount of BJ Subway Info in the books of BE Teletron Technical at the date of disposal amounted to HK$18,756,000. Further details of the disposal transaction are included in note 38(a) to the financial statements.

24. Interests in Associates

	Notes	Group 2008 HK$'000	Group 2007 HK$'000
Share of net assets	(a)	**364,493**	365,977
Due from an associate	(b)	**15,643**	15,610
Goodwill on acquisition	(a), (c)	**–**	18,735
		380,136	400,322
Impairment of an associate	(a)	**(310,459)**	–
Impairment of the amount due from an associate	(d)	**(15,643)**	(15,610)
		54,034	384,712

Notes To Financial Statements

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24. Interests in Associates (continued)

Notes:

(a) The following tables illustrate the summarised financial information of the Group's associates:

	2008 HK$'000	2007 HK$'000
Share of the associates' assets and liabilities:		
Non-current assets	**323,892**	337,459
Current assets	**119,620**	122,198
Current liabilities	**(36,456)**	(35,818)
Non-current liabilities	**(38,827)**	(53,969)
Minority interests	**(3,736)**	(3,893)
Net assets	**364,493**	365,977
Goodwill on acquisition (note (c))	**17,983**	18,735
Impairment of an associate	**(310,459)**	–
Impairment of goodwill (note (c))	**(17,983)**	–
	54,034	384,712
Shares of the associates' results:		
Revenue	**5,861**	45,420
Profit for the year attributable to continuing operations	**1**	5,193
Impairment of goodwill during the year recognised in the income statement (note (c))	**(17,983)**	–
Total profit/(loss) for the year shared by the Group	**(17,982)**	5,193

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24. Interests in Associates (continued)

Notes: (continued)

(a) (continued)

On 6 February 2009, each of CITD (an associate held as to 29.18% by the Group and listed on the Growth Enterprise Market Board of the Stock Exchange) and the Company made a public announcement to advise their respective shareholders and potential investors that, in the course of auditing CITD's financial statements for the year ended 31 December 2008, the auditors of CITD were aware of unusual transaction data being recorded in the revenue recording system in Mingsuo (an Internet platform which provides corporate information enquiry services to its members) and a special committee has been established by CITD to investigate into the matter (the "Special Investigation"). The directors of the Company were advised by the management of CITD that, since the revenue of Mingsuo represents a significant part of the overall revenue of the CITD group, any significant findings of the Special Investigation may have a correspondingly significant impact on CITD group's operational and financial performance. The trading of the shares of CITD has been suspended since 29 January 2009.

As at the date of approval of these financial statements, the Special Investigation has not yet been completed and no further information or pronouncement has been made by CITD in respect of the Special Investigation.

Since no relevant and reliable financial information had been made available to enable the Group to account for its interests in CITD for the year ended 31 December 2008 in accordance with Hong Kong Accounting Standard 28 ("HKAS 28") *Investments in Associates*, the Group did not equity account for any operating results of CITD for the year ended 31 December 2008. In the opinion of the directors, in the absence of appropriate financial information relating to CITD for the year ended 31 December 2008, it is not practicable to estimate the financial impact to the financial statements of the Group at this stage.

The directors of the Company are presently not able to determine with reasonable certainty as to whether the ultimate findings from the Special Investigation might have a material consequential effect, if any, on the financial statements of the Group for the year ended 31 December 2008 and/or that of the prior years relating to the Group's investments in CITD.

Notwithstanding the above, in view of 1) the prolonged decline in the market value of the shares of CITD held by the Group during the year ended 31 December 2008 which is materially below the Group's interest in CITD as at 31 December 2007; 2) the recent downturn in the stock market and global economy; and 3) the uncertainty as to the ultimate findings of the Special Investigation, in the opinion of the directors of the Company, a full impairment provision in respect of the Group's share of the goodwill standing in the books of CITD is required. Therefore, impairment provisions of HK$310,459,000 and HK$17,983,000 against the Group's interests in CITD and the goodwill arising on the acquisition of CITD and its subsidiaries in prior years (note 24(c)), respectively, were recognised in the consolidated income statement for the year ended 31 December 2008.

Notes To Financial Statements

31 December 2008

24. Interests in Associates (continued)

Notes: (continued)

(a) (continued)

Included in the analysis of the share of assets and liabilities, and results of associates attributable to the Group above are the following balances attributable to CITD:

	2008 HK$'000	2007 HK$'000
Share of the CITD's assets and liabilities:		
Non-current assets	**323,859**	337,419
Current assets	**112,228**	116,926
Current liabilities	**(31,488)**	(32,806)
Non-current liabilities	**(38,827)**	(53,969)
Minority interests	**(3,736)**	(3,893)
Net assets	**362,036**	363,677
Goodwill on acquisition (note (c))	**17,983**	18,735
Impairment of an associate	**(310,459)**	–
Impairment of goodwill (note (c))	**(17,983)**	–
	51,577	382,412
Shares of the CITD's results:		
Revenue	**–**	41,205
Profit for the year attributable to continuing operations	**–**	5,383
Impairment of goodwill during the year recognised in the income statement (note (c))	**(17,983)**	–
Total profit/(loss) for the year shared by the Group	**(17,983)**	5,383

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24. Interests in Associates (continued)

Notes: (continued)

(b) The balance with the associate is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the balance approximates to its fair value.

The Group's trade payable balance with associates is disclosed in note 32 to the financial statements.

(c) The amount of the goodwill capitalised as an asset included in the interests in associates, arising on the acquisition of CITD and its subsidiaries, is as follows:

	2008 **HK$'000**	2007 HK$'000
At 1 January:		
Cost and net carrying amount	**18,735**	–
Net carrying amount:		
At 1 January	**18,735**	–
Reclassification from goodwill of the Group as a result of a subsidiary becoming an associate during the year $^{\delta}$ (note 20(b))	**–**	27,991
Impairment during the year recognised in the income statement (note 24(a))	**(17,983)**	–
Derecognition upon disposal of a partial interest in an associate #	**–**	(2,908)
Derecognition upon deemed disposal of a partial interest in an associate @	**(752)**	(6,348)
At 31 December	**–**	18,735
At 31 December:		
Cost	**17,983**	18,735
Accumulated impairment	**(17,983)**	–
	–	18,735

Notes To Financial Statements

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24. Interests in Associates (continued)

Notes: (continued)

(c) (continued)

δ The goodwill was reclassified from the goodwill of the Group during the prior year when CITD became an associate of the Group in May 2007, further details of which are set out in note 20(b) to the financial statements.

Goodwill of HK$2,908,000 was derecognised upon the disposal of 220,000,000 ordinary shares of CITD in June 2007 by the Group (note 7).

@ Goodwill of HK$752,000 in aggregate was derecognised during the year ended 31 December 2008 upon the dilution of the Group's effective equity interest in CITD following the conversion of convertible bonds of CITD by a bondholder for 261,000,000 ordinary shares of CITD in aggregate during the period from February to April 2008. Goodwill of HK$6,348,000 in aggregate was derecognised during the year ended 31 December 2007 upon the dilution of the Group's effective equity interest in CITD following (i) the exercise of share options of CITD by certain share option holders for 17,000,000 ordinary shares of CITD in aggregate during the period from May to September 2007; and (ii) the issuance of 1,560,000,000 new ordinary shares by CITD in September 2007 (note 8).

(d) The movements in the provision for impairment of the amount due from an associate are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**15,610**	10,000
Impairment during the year recognised in the income statement (note 10)	**33**	3,973
Exchange realignment	**–**	1,637
At 31 December	**15,643**	15,610

24. Interests in Associates (continued)

Notes: (continued)

(e) 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 operations	Percentage of ownership interest attributable to the Group	Principal activities
CITD*	HK$64,969,064	Cayman Islands/ Hong Kong	29.18	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	25	Provision for system integration services

* Shares of CITD are listed on the Growth Enterprises Market Board of the Stock Exchange. The fair value of the ordinary shares of CITD held by the Group as at 31 December 2008, based on its then published price quotation, amounted to approximately HK$227,462,000.

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

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25. Deferred Tax Assets

The components of deferred tax assets of the Group and the movements during the year are as follows:

Group

	Note	Decelerated/ (accelerated) tax depreciation HK$'000	Impairment of trade and bills receivables HK$'000	Impairment of other receivables HK$'000	Impairment of interests in associates HK$'000	Impairment of inventories HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2007		(69)	553	–	–	–	–	484
Deferred tax credited/ (charged) to the income statement during the year	13	(92)	281	–	–	–	–	189
Exchange realignment		(4)	35	–	–	–	–	31
At 31 December 2007 and 1 January 2008		**(165)**	**869**	**–**	**–**	**–**	**–**	**704**
Deferred tax credited to the income statement during the year	13	**269**	**2,381**	**835**	**819**	**256**	**6,898**	**11,458**
Exchange realignment		**(11)**	**60**	**–**	**–**	**–**	**–**	**49**
At 31 December 2008		**93**	**3,310**	**835**	**819**	**256**	**6,898**	**12,211**

The Group has tax losses arising in Hong Kong and Singapore of approximately HK$139,335,000 (2007: HK$141,447,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries 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. The Group also has tax losses arising in Mainland China of approximately HK$21,613,000 (2007: HK$11,821,000) that will expire in one to five years for offsetting against future taxable profit.

Pursuant to the New PRC CIT 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 China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5% and 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries, jointly-controlled entities and associates established in Mainland China in respect of earnings generated from 1 January 2008.

25. Deferred Tax Assets (continued)

At 31 December 2008, 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, jointly-controlled entities and associates established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries, jointly-controlled entities and associates will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$317,000 as at 31 December 2008 (2007: Nil).

26. Inventories

Inventories of the Group are materials and equipment held for construction contracts.

27. Amounts Due from/to Contract Customers

	Group	
	2008	2007
	HK$'000	HK$'000
Amounts due from contract customers	**32,592**	29,880
Amounts due to contract customers	**(10,854)**	(15,487)
	21,738	14,393
Contract costs incurred plus recognised profits less recognised losses to date	**63,460**	54,803
Less: Progress billings	**(41,722)**	(40,410)
	21,738	14,393

At the balance sheet date, retentions held by contract customers included in trade and bills receivables amounted to HK$24,941,000 (2007: HK$16,555,000).

Notes To Financial Statements

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28. Trade and Bills Receivables

	Notes	Group 2008 HK$'000	Group 2007 HK$'000
Trade and bills receivables due from:			
Third parties		**138,101**	128,766
A substantial shareholder	(a)	**1,086**	1,017
A jointly-controlled entity	(a)	**–**	53
Related companies	(a), (b)	**–**	6,117
		139,187	135,953
Impairment	(c)	**(22,578)**	(23,876)
	(d)	**116,609**	112,077
Portion classified as current assets		**(91,668)**	(95,522)
Non-current portion		**24,941**	16,555

Notes:

(a) The balances with the substantial shareholder, jointly-controlled entity and related companies are unsecured, interest-free and have no fixed terms of repayment.

(b) Included in the amounts due from related companies as at 31 December 2007 was an amount of HK$4,787,000 due from a company which had a common director with the Company. The maximum outstanding amount due from this related company during the year ended 31 December 2007 was HK$11,800,000.

(c) The movements in the provision for impairment of trade and bills receivables are as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
At 1 January	**23,876**	13,952
Impairment/(reversal of impairment) during the year recognised in the income statement, net (note 10)	**(1,656)**	9,034
Amount written off as uncollectible	**(1,270)**	–
Exchange realignment	**1,628**	890
At 31 December	**22,578**	23,876

28. Trade and Bills Receivables (continued)

Notes: (continued)

(c) (continued)

The above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables. The individually impaired trade and bills receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

(d) The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one to three months, with instalment period extended up to six years for major customers. An aged analysis of the trade and bills receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade and bills receivables are non-interest-bearing.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**24,941**	16,555
Past due but not impaired:		
Current or within 3 months	**77,037**	76,748
4 to 6 months	**236**	5,181
7 to 12 months	**1,544**	6,976
Over 1 year	**12,851**	6,617
	91,668	95,522
	116,609	112,077

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. The Group does not hold any collateral or other credit enhancements over these balances.

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29. Prepayments, Deposits and Other Receivables

		Group		Company	
		2008	2007	2008	2007
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Prepayments		371	2,591	5	291
Deposits and other receivables		67,195	72,221	307	7,614
Loan to a subsidiary	(a)	–	–	6,818	6,383
Due from subsidiaries	(b)	–	–	17,454	29,759
Due from jointly-controlled entities	(b)	3,144	2,580	2,927	–
Due from an associate	(b)	423	364	423	–
Due from related companies	(b)	–	21,974	–	–
Due from minority shareholders	(b)	3,302	1,704	–	–
		74,435	101,434	27,934	44,047
Impairment	(c)	(7,865)	(9,839)	(2,927)	(11,207)
		66,570	91,595	25,007	32,840

Notes:

(a) The loan to a subsidiary of HK$6,818,000 (2007: HK$6,383,000) as at 31 December 2008 was unsecured, bears interest at 4.5% per annum and is repayable in 2008. The balance remained unsettled as at the date of approval of these financial statements. In the opinion of the directors, no impairment loss on the amount due is foreseen.

(b) The balances with subsidiaries, jointly-controlled entities, an associate, related companies and minority shareholders are unsecured, interest-free and have no fixed terms of repayment. As at 31 December 2007, included in the amounts due from related companies disclosed above was an amount due from a related company, which had a common director with the Company, with the maximum amount outstanding during the year ended 31 December 2007 amounting to HK$17,285,000.

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

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	9,839	2,940	11,207	6,000
Impairment/(reversal of impairment) during the year recognised in the income statement, net (note 10)	(1,150)	6,711	(8,280)	5,207
Amount written off as uncollectible	(1,277)	–	–	–
Exchange realignment	453	188	–	–
At 31 December	7,865	9,839	2,927	11,207

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30. Available-for-Sale Investment

The Group's available-for-sale investment as at 31 December 2008 represented an investment in an unlisted equity investment fund, which is stated at cost because it did not have a quoted market price in an active market, the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed, and therefore the directors are of the opinion that its fair value cannot be measured reliably.

31. Pledged Deposits and Cash and Cash Equivalents

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	(a), (b)	**617,471**	728,263	**210,181**	507,755
Less: Pledged deposits	(c)	**(5,057)**	(9,890)	**–**	–
Cash and cash equivalents		**612,414**	718,373	**210,181**	507,755

Notes:

(a) At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$359,297,000 (2007: HK$253,806,000). 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.

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

(c) The Group's pledged deposits as at 31 December 2008 and 2007 served as tender deposits to secure certain construction contracts of the Group.

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32. Trade and Bills Payables

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

	Group	
	2008	2007
	HK$'000	HK$'000
Within 3 months	**71,115**	185,867
4 to 6 months	**4,460**	16,213
7 to 12 months	**25,638**	5,516
Over 1 year	**45,002**	8,002
	146,215	215,598
Comprising amounts payable to:		
Third parties	**140,328**	198,434
Associates	**5,887**	12,718
A related company	**–**	4,446
	146,215	215,598

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

The trade and bills payables are non-interest-bearing and normally settled within 30 to 90 days.

33. Other Payables and Accruals

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**38,218**	53,922	**751**	613
Accruals	**9,343**	17,770	**3,941**	3,571
Temporary receipts	**2,406**	7,145	**2,406**	7,145
Due to a subsidiary	**–**	–	**1,833**	1,885
Due to a jointly-controlled entity	**29**	64	**–**	–
Due to associates	**23,812**	3,917	**3**	–
Due to related companies	**–**	2,074	**–**	–
	73,808	84,892	**8,934**	13,214

33. Other Payables and Accruals (continued)

The balances with the subsidiary, the jointly-controlled entity, associates 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 3 to 6 months.

34. Deferred Income

Deferred income of the Group as at 31 December 2008 represents subsidies received during the year from a government authority in Mainland China in respect of the fitness card system business carried out by Beijing Fitness Card, a 85% indirectly-owned subsidiary of the Company. The subsidies are interest-free, have to be applied to the development of the Group's fitness card system business and have been recognised in accordance with the accounting policy for "Government grants" set out in note 2.4 to the financial statements.

35. Share Capital

Shares

	Company	
	2008	2007
	HK$'000	HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$1 each	**1,000,000**	1,000,000
Issued and fully paid:		
677,460,150 (2007: 681,481,150) ordinary shares of HK$1 each	**677,460**	681,481

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35. Share Capital (continued)

Shares (continued)

A summary of the movements in the Company's issued share capital during the years ended 31 December 2008 and 2007 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 2007		591,981,150	591,981	5,961	597,942
Allotment of new shares	(a)	50,000,000	50,000	165,000	215,000
Share options exercised	(b)	39,500,000	39,500	4,175	43,675
Share issue expenses		–	–	(5,856)	(5,856)
At 31 December 2007 and 1 January 2008		**681,481,150**	**681,481**	**169,280**	**850,761**
Share options exercised	(b)	**5,700,000**	**5,700**	**1,039**	**6,739**
Repurchase and cancellation of shares	(c)	**(9,721,000)**	**(9,721)**	**–**	**(9,721)**
At 31 December 2008		**677,460,150**	**677,460**	**170,319**	**847,779**

Notes:

(a) Pursuant to the placing and subscription agreement entered into between the Company, a substantial shareholder of the Company and a placing agent on 11 June 2007, 50,000,000 ordinary shares of the Company were allotted at a price of HK$4.3 each to the substantial shareholder for a total cash consideration, before any issuance expenses, of HK$215,000,000, for the purpose of providing additional general working capital to the Company and its subsidiaries.

(b) During the year ended 31 December 2008, the subscription rights attaching to 5,700,000 (2007: 39,500,000) share options were exercised at the subscription price of HK$1 per share, resulting in the issue of 5,700,000 (2007: 39,500,000) ordinary shares of HK$1 each for a total cash consideration of HK$5,700,000 (2007: HK$39,500,000). As a result of the exercise of these share options, their fair value of HK$1,039,000 (2007: HK$4,175,000) previously recognised in the share option reserve was transferred to the share premium account.

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35. Share Capital (continued)

Shares (continued)

Notes: (continued)

(c) During the year ended 31 December 2008, the Company repurchased a total of 9,721,000 ordinary shares of the Company on the Stock Exchange and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

Month of repurchase	Number of ordinary shares repurchased and cancelled	Price per ordinary share Highest	Lowest	Total consideration paid
		HK$	HK$	HK$'000
August 2008	1,902,000	1.72	1.47	3,081
September 2008	247,000	1.08	0.99	257
October 2008	2,378,000	1.12	0.74	2,211
November 2008	3,307,000	1.00	0.85	3,194
December 2008	1,887,000	1.05	0.90	1,861
	9,721,000			10,604

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK$883,000 was charged to then retained profit of the Company. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount of HK$9,721,000 equivalent to the par value of the shares cancelled was transferred from the then retained profit of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Share options

Details of the Company's share option scheme (the "Scheme") and the share options issued under the Scheme are included in note 36 to the financial statements.

36. Share Option Scheme

The Company operates the Scheme to give executives and key employees of the Group an interest in preserving and maximising shareholders' value in the longer term, to enable the Company and the relevant subsidiaries to attract and retain individuals with experience and ability and to reward individuals for future performance. Eligible participants of the Scheme include the executive directors and employees of the Company or any of its subsidiaries. The Scheme became effective on 18 June 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

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

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 lapsed when expired or the grantee ceased to be an employee of the Group.

The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

36. 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 2008 and 2007:

	Notes	2008 Weighted average exercise price (HK$ per share)	2008 Number of share options	2007 Weighted average exercise price (HK$ per share)	2007 Number of share options
At 1 January		**3.77**	**65,680,000**	1.00	45,200,000
Granted during the year	(a)	**2.24**	**15,860,000**	4.03	59,980,000
Exercised during the year	(b)	**1.00**	**(5,700,000)**	1.00	(39,500,000)
Forfeited during the year	(c)	**4.03**	**(2,250,000)**	–	–
At 31 December	(d)	**3.64**	**73,590,000**	3.77	65,680,000

Notes:

(a) 15,860,000 (2007: 59,980,000) share options were granted during the year. The fair value of the share options granted during the year was HK$9,774,000 (2007: HK$68,079,000), of which HK$9,586,000 (2007: HK$13,819,000) was recognised by the Group in the income statement as an equity-settled share option expense during the year ended 31 December 2008.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the input to the model used:

	2008	2007
Dividend yield (%)	**–**	–
Expected volatility (%)	**54.87 to 59.05**	53.68
Risk-free interest rate (%)	**1.44 to 2.22**	2.99 to 3.14
Expected life of share options (months)	**9 to 28**	12 to 31

The expected life of the share options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the volatility for the last 208 weeks (2007: 208 weeks) is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

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36. Share Option Scheme (continued)

Notes: (continued)

(a) (continued)

In addition to the share options granted during the year ended 31 December 2008, equity-settled share option expense of HK$42,715,000 was recognised in the income statement during the year in respect of the share options granted in 2006 and 2007.

(b) The weighted average share price at the date of exercise for the 5,700,000 (2007: 39,500,000) share options exercised during the year was HK$3.02 (2007: HK$2.65). The exercise of these share options resulted in the issue of 5,700,000 (2007: 39,500,000) ordinary shares of the Company and new share capital of HK$5,700,000 (2007: HK$39,500,000) and share premium of HK$1,039,000 (2007: HK$4,175,000) (before issue expenses), as further detailed in note 35(b) to the financial statements.

(c) During the year ended 31 December 2008, 2,250,000 share options were forfeited due to the resignation of an executive director during the year.

(d) At the balance sheet date, the Company had 73,590,000 (2007: 65,680,000) share options outstanding under the Scheme, which represented approximately 10.9% (2007: 9.6%) of the Company's ordinary shares in issue at that date.

The exercise prices and exercise periods of the share options outstanding as at the balance sheet date are as follows:

2008

Number of share options	**Exercise price HK$ per share**	**Exercise period**
57,730,000	**4.03**	**30 October 2007 – 17 June 2011**
2,860,000	**3.17**	**1 May 2008 – 17 June 2011**
13,000,000	**2.07**	**11 August 2008 – 17 June 2011**
73,590,000		

2007

Number of share options	Exercise price HK$ per share	Exercise period
5,700,000	1.00	27 June 2006 – 17 June 2011
59,980,000	4.03	30 October 2007 – 17 June 2011
65,680,000		

36. Share Option Scheme (continued)

Notes: (continued)

(d) (continued)

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 73,590,000 (2007: 65,680,000) additional ordinary shares of the Company and additional share capital of HK$73,590,000 (2007: HK$65,680,000) and share premium of HK$195,038,000 (2007: HK$181,739,000), before any issuance expenses.

Subsequent to the balance sheet date, 5,050,000 share options outstanding as at 31 December 2008 were forfeited in January 2009 upon the expiry of the three-month post-resignation exercisable period given to an executive director who resigned in October 2008.

At the date of approval of these financial statements, the Company had 68,540,000 share options outstanding under the Scheme, which represented approximately 10.1% of the Company's ordinary shares in issue at that date.

37. 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 37 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.

(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 payment transactions in note 2.4 to the financial statements. The amount will either to 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 lapse 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, jointly-controlled entities and associates. None of the Group's PRC reserve funds as of 31 December 2008 was distributable in the form of cash dividends.

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37. Reserves (continued)

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Property revaluation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2007		5,961	–	5,214	30,877	(192,689)	(150,637)
Share issue expenses and total income and expense recognised directly in equity	35	(5,856)	–	–	–	–	(5,856)
Profit for the year	15	–	–	–	–	231,099	231,099
Total income and expense for the year		(5,856)	–	–	–	231,099	225,243
Issue of shares	35(a)	165,000	–	–	–	–	165,000
Exercise of share options	35(b)	4,175	–	(4,175)	–	–	–
Equity-settled share option arrangements	36(a)	–	–	13,819	–	–	13,819
Transfer to retained profits		–	–	–	(30,877)	30,877	–
Proposed final 2007 dividend	16	–	–	–	–	(54,702)	(54,702)
At 31 December 2007 and 1 January 2008		**169,280**	**–**	**14,858**	**–**	**14,585**	**198,723**
Loss for the year and total income and expense for the year	**15**	**–**	**–**	**–**	**–**	**(167,924)**	**(167,924)**
Exercise of share options	**35(b)**	**1,039**	**–**	**(1,039)**	**–**	**–**	**–**
Repurchase and cancellation of shares	**35(c)**	**–**	**9,721**	**–**	**–**	**(10,604)**	**(883)**
Equity-settled share option arrangements	**36(a)**	**–**	**–**	**52,301**	**–**	**–**	**52,301**
Final 2007 dividend	**16**	**–**	**–**	**–**	**–**	**(272)**	**(272)**
At 31 December 2008		**170,319**	**9,721**	**66,120**	**–**	**(164,215)**	**81,945**

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38. Disposal and Deconsolidation of Subsidiaries

(a) Disposal of subsidiaries

During the year ended 31 December 2008, the Group disposed of all its entire 100% equity interest in BE Teletron Technical for a cash consideration of RMB1,000,000 (equivalent to HK$1,136,000). During the year ended 31 December 2007, the Group disposed of all its entire 51% equity interest in each of BD Ah Yat and Boda for respective cash considerations of HK$25,300,000 and RMB4,700,000 (equivalent to HK$5,000,000), further details of which are set out in notes 14 and 42(b)(iii) to the financial statements, respectively.

		Group	
	Notes	**2008 HK$'000**	2007 HK$'000
Net assets disposed of:			
Property, plant and equipment	18	–	20,148
Interests in jointly-controlled entities	23(d)	**18,756**	1,210
Inventories		–	53,267
Trade and bills receivables		–	7,985
Prepayments, deposits and other receivables		–	20,050
Pledged deposits		–	523
Cash and bank balances		**1,131**	18,562
Trade and bills payables		–	(18,209)
Income tax payable		–	(2,775)
Other payables and accruals		**(18,181)**	(41,919)
Bank borrowings		–	(16,627)
Minority interests		–	(18,484)
		1,706	23,731
Goodwill derecognised upon disposal	20(c)	–	3,072
Exchange fluctuation reserve realised		**(100)**	(820)
Costs associated with the disposals		–	300
Gain/(loss) on disposal of interests in subsidiaries, net	10	**(470)**	4,017
		1,136	30,300
Satisfied by cash		**1,136**	30,300

38. Disposal and Deconsolidation of Subsidiaries (continued)

(a) Disposal of subsidiaries (continued)

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Cash and bank balances disposed of	**(1,131)**	(18,562)
Cash consideration	**1,136**	30,300
Considerations receivable at beginning of year	**12,313**	–
Considerations receivable at end of year	**–**	(12,313)
Costs associated with the disposals	**–**	(300)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**12,318**	(875)

Notes To Financial Statements

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38. Disposal and Deconsolidation of Subsidiaries (continued)

(b) Deconsolidation of subsidiaries

Owing to the dilution of the Group's effective equity interest in CITD from 55.05% to 45.53% upon the issuance of 468,000,000 new ordinary shares by CITD in May 2007, CITD ceased to be a subsidiary of the Group and became an associate of the Group during the prior year (note 6). Accordingly, CITD and its subsidiaries were deconsolidated during the year ended 31 December 2007.

An analysis of the net assets deconsolidated in respect of which is as follows:

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
Net assets deconsolidated:			
Property, plant and equipment	18	–	5,508
Other intangible assets	21	–	1,066
Inventories		–	3,449
Trade and bills receivables		–	42,918
Prepayments, deposits and other receivables		–	10,336
Cash and bank balances		–	182,915
Trade and bills payables		–	(7,579)
Income tax payable		–	(1,121)
Other payables and accruals		–	(4,821)
Minority interests		–	(131,417)
		–	101,254
Reclassification to interests in associates from interests in subsidiaries		–	101,254

An analysis of the net outflow of cash and cash equivalents in respect of the deconsolidation of CITD and its subsidiaries is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Cash and bank balances deconsolidated and the net outflow of cash and cash equivalents in respect of the deconsolidation of subsidiaries	–	(182,915)

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39. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2008 (2007: Nil).

At the balance sheet date, contingent liabilities of the Company not provided for in the financial statements comprised guarantees of HK$227,273,000 (2007: HK$212,766,000) in aggregate given to banks in connection with the banking facilities granted to a subsidiary, which had not been utilised as at 31 December 2008 (2007: Nil).

40. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 19) under operating lease arrangements, with the leases negotiated for terms ranging from 1 to 5 years (2007: 1 to 5 years). The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**2,913**	1,916
In the second to fifth years, inclusive	**663**	1,010
After five years	**144**	–
	3,720	2,926

40. Operating Lease Arrangements (continued)

(b) As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 2 years (2007: 1 to 2 years).

At 31 December 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**4,039**	3,891	**128**	1,058
In the second to fifth years, inclusive	**–**	116	**–**	110
	4,039	4,007	**128**	1,168

41. Capital Commitments

The Group and the Company had the following capital commitments at the balance sheet date, which are authorised, but not contracted for:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments in respect of:				
Plant and machinery	**34,091**	–	**–**	–
Additional capital contribution to jointly-controlled entities	**–**	183,512	**–**	183,512
Establishment of new subsidiaries	**–**	–	**–**	32,979
	34,091	183,512	**–**	216,491

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41. Capital Commitments (continued)

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

	Group	
	2008	2007
	HK$'000	HK$'000
Contracted, but not provided for	**1,037**	22,171
Authorised, but not contracted for	**4,987**	118,152
	6,024	140,323

42. 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:

	Group	
	2008	2007
	HK$'000	HK$'000
Purchase of goods from associates	**17,316**	–
Service fee paid to associates	**10,132**	–
Sale of products to a jointly-controlled entity	**1,620**	261
Management fee income received from an associate	**1,034**	–
Subcontracting fee paid to an associate	**–**	21,297
Subcontracting fee expense paid to an entity which has a common director with the Company	**–**	4,873

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

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42. Related Party Disclosures (continued)

(b) Other transactions with related parties:

(i) Pursuant to an instrument of transfer dated 18 March 2008, the Group disposed of 40% of Business Net (Hong Kong) Limited ("Business Net HK"), a former indirectly wholly-owned subsidiary of the Company, to China Luck International Limited, a wholly-owned subsidiary of CITD, for a cash consideration of HK$40. During the year, Business Net HK established BE UniCard, a limited liability company established in Mainland China with a registered capital of HK$50,000,000.

(ii) On 24 June 2008, Prime, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Mr. Wang Zhenyu ("Mr. Wang"), an executive director and the chief executive officer of CITD and also an executive director and the general manager of BE UniCard, a 71.1% indirectly-owned subsidiary of the Company, to dispose of 600 million ordinary shares of CITD (representing approximately 9.24% of the then entire issued share capital of CITD) by Prime to Mr. Wang at a consideration of HK$132,000,000. The transaction was approved by the independent shareholders at the extraordinary general meeting of the Company held on 30 July 2008. Pursuant to a supplemental deed and a further supplemental deed entered into between Prime and Mr. Wang on 14 August 2008 and 19 December 2008, respectively, the date of completion of the transaction has been extended to a date on or before 30 September 2009. As at the date of approval of these financial statements, the transaction has yet to be completed.

(iii) Pursuant to a share transfer agreement dated 31 December 2007, the Group disposed of its entire 51% equity interest in Boda to a related company, which has a common director with the Company, for a cash consideration of RMB4,700,000 (equivalent to HK$5,000,000). The consideration, which was mutually agreed between the parties with reference to the Group's share of equity interest in Boda as at the date of the share transfer agreement, was fully settled during the year ended 31 December 2008.

(iv) Pursuant to a service contract (the "Service Contract") dated 1 August 2001 signed between the Group and a related company, which has a common director with the Company, the Group would provide certain IT services to the related company for a period of 20 years from the date of the contract. In accordance with a termination agreement dated 30 December 2004 and its supplemental agreement dated 14 March 2006, the Service Contract was early terminated and the related company agreed to pay a compensation of RMB14,600,000 (equivalent to HK$15,532,000) to the Group. The compensation was fully settled by the related company during the year ended 31 December 2007 and the compensation, net of business tax levied thereon, of HK$14,755,000 was recognised as an other income in the income statement during the year ended 31 December 2007 (note 5).

42. Related Party Disclosures (continued)

(c) Outstanding balances with related parties:

(i) Details of the Group's amounts due from/to a jointly-controlled entity and associates as at the balance sheet date are disclosed in notes 23 and 24 to the financial statements, respectively;

(ii) Details of the Group's trade and bills receivables and other receivables due from a substantial shareholder, jointly-controlled entities, an associate, related companies and minority shareholders as at the balance sheet date are disclosed in notes 28 and 29 to the financial statements, respectively; and

(iii) Details of the Group's trade and bills payables and other payables due to a jointly-controlled entity, associates and related companies as at the balance sheet date are disclosed in notes 32 and 33 to the financial statements, respectively.

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

	2008 **HK$'000**	2007 HK$'000
Short term employee benefits	**5,759**	6,255
Post-employment benefits	**459**	177
Equity-settled share option expense	**42,969**	11,356
Total compensation paid to key management personnel	**49,187**	17,788

Further details of directors' emoluments are included in note 11 to the financial statements.

43. Financial Instruments by Category

All financial assets and liabilities of the Group and the Company as at 31 December 2008 and 2007, except for the unlisted equity investment fund being classified as an available-for-sale investment which is stated at cost, were loans and receivables and financial liabilities stated at amortised cost, respectively.

44. 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 and bills receivables and trade and bills payables, which arise directly from its operations.

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31 December 2008

44. Financial Risk Management Objectives and Policies (continued)

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 each of the balance sheet dates. Fair value estimates are made on a specific point in time and based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

(a) Business risk

The Group conducts most of its operations in Mainland China, and accordingly, it is subject to special considerations and significant risks. These include risks associated with, inter alia, changes in the political, economic and legal environment in Mainland China.

(b) Interest rate risk

The following tables set out the carrying amounts, by maturity, of the Group's financial instruments as at the balance sheet date that are exposed to interest rate risk:

	Within 1 year HK$'000	**Effective interest rate** %
At 31 December 2008		
Floating rate:		
Pledged deposits	**5,057**	**1.08**
Bank balances	**230,596**	**0.47**
Fixed rate:		
Time deposits	**381,818**	**2.18**
At 31 December 2007		
Floating rate:		
Pledged deposits	9,890	0.9
Bank balances	223,373	0.9
Fixed rate:		
Time deposits	495,000	3.4

Notes To Financial Statements

31 December 2008

44. Financial Risk Management Objectives and Policies (continued)

(c) Foreign currency risk

The Group's businesses are mainly located in Mainland China and the majority of its transactions are conducted in RMB.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax and of the Group's equity due to changes in fair value of monetary assets and liabilities.

	Increase/ (decrease) in RMB rate	**(Increase)/ decrease in loss before tax**	**Increase/ (decrease) in equity**
	%	HK$'000	HK$'000
2008			
If HK$ weakens against RMB	**5**	**(2,105)**	**6,044**
If HK$ strengthens against RMB	**(5)**	**2,105**	**(6,044)**

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	HK$'000	HK$'000
2007			
If HK$ weakens against RMB	5	(2,463)	7,304
If HK$ strengthens against RMB	(5)	2,463	(7,304)

(d) Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from jointly-controlled entities and associates and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

44. Financial Risk Management Objectives and Policies (continued)

(d) Credit risk (continued)

The carrying amount of trade receivables, other receivables and cash 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 places its cash deposits with creditworthy banks in Hong Kong and state-owned banks in Mainland China with no recent history of default. This investment policy limits the Group's exposure to the concentration of credit risk.

(e) 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 instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of available bank facilities.

The liquidity risk of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations and on its ability to obtain external financing to finance the working capital of the Group.

Financial liabilities of the Group and the Company included in current liabilities as at the balance sheet date either had no fixed terms of repayment or were due for repayment within one year.

(f) Capital management

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 possible with greater leverage.

An annual Group capital plan 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 Group 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 requirement will return to the Group, normally by way of dividends.

44. Financial Risk Management Objectives and Policies (continued)

(f) Capital management (continued)

The Group is primarily a provider of equity capital to its subsidiaries. These investments are substantially funded by the Group's own capital issuance and profit retentions. 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 on the consolidated balance sheet.

The primary objective of the Group's capital management is 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.

Depending on the market conditions and funding arrangements, if at any time, repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions.

45. Events After the Balance Sheet Date

Save as disclosed in notes 24(a) and 36(d) to the financial statements, no other significant events occurred subsequent to the balance sheet date.

46. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 30 March 2009.

Five Year Financial Summary

31 December 2008

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Company's annual report or audited financial statements, as appropriate, is set out below:

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	**293,223**	358,412	292,419	277,890	285,176
Profit/(loss) before tax	**(431,267)**	304,460	24,290	(41,704)	23,238
Tax	**10,576**	(2,080)	(4,757)	(867)	(1,654)
Profit/(loss) for the year from continuing operations	**(420,691)**	302,380	19,533	(42,571)	21,584
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**–**	16,251	8,932	14,033	7,335
Profit/(loss) for the year	**(420,691)**	318,631	28,465	(28,538)	28,919
Attributable to:					
Shareholders of the Company	**(414,598)**	317,480	12,080	(35,042)	14,886
Minority interests	**(6,093)**	1,151	16,385	6,504	14,033
	(420,691)	318,631	28,465	(28,538)	28,919

	31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	**1,078,566**	1,539,345	1,025,319	855,033	948,473
Total liabilities	**(265,121)**	(317,969)	(360,279)	(338,473)	(397,395)
Net assets	**813,445**	1,221,376	665,040	516,560	551,078
Represented by:					
Equity attributable to shareholders of the Company	**767,826**	1,172,317	565,335	436,017	480,011
Minority interests	**45,619**	49,059	99,705	80,543	71,067
	813,445	1,221,376	665,040	516,560	551,078