

Interim Report

BEIJING

Development (Hong Kong) Limited



Stock Code 154

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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

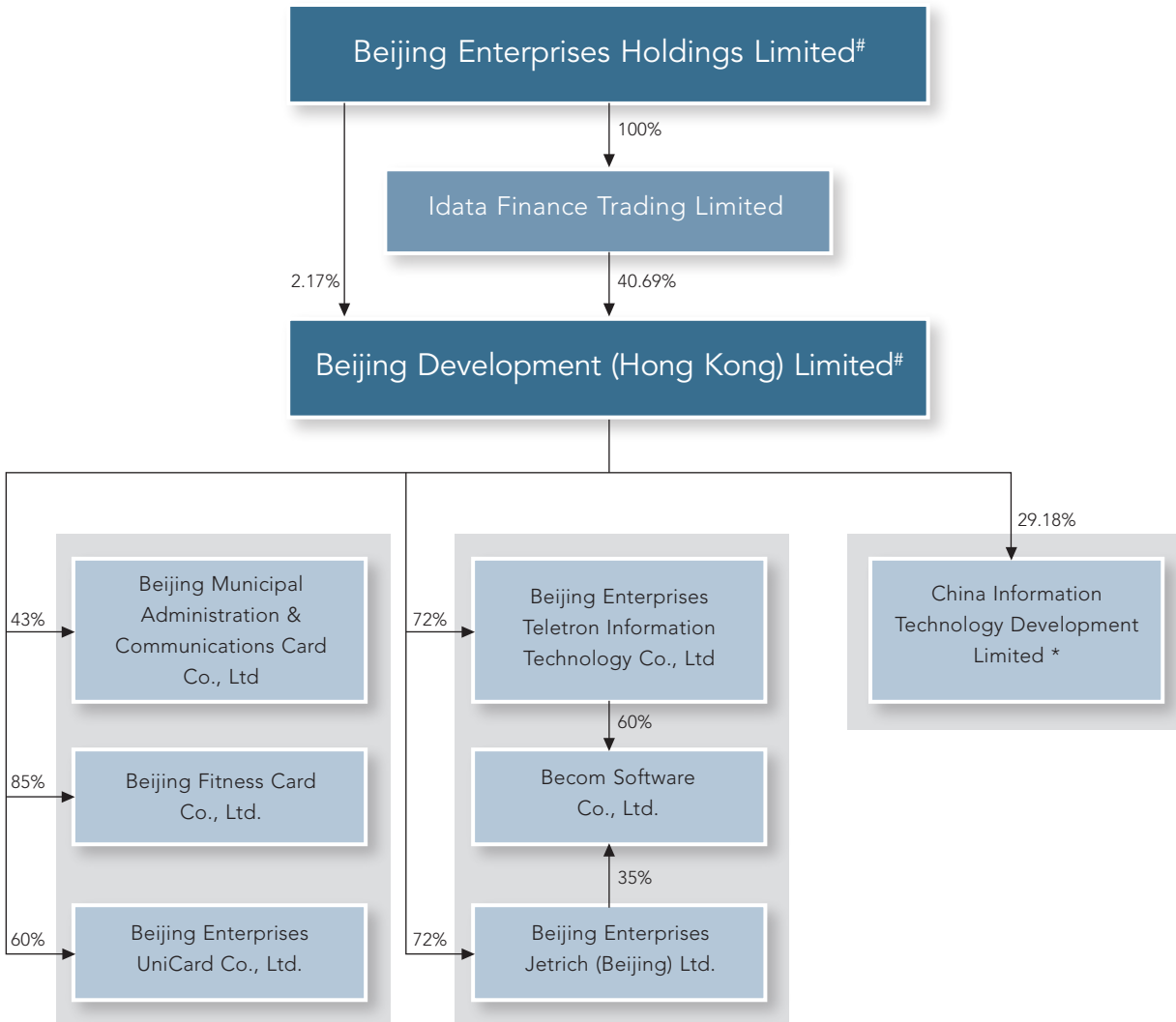
China Construction Bank

China Minsheng Banking Corp., Ltd.

Huaxia Bank

CORPORATE STRUCTURE

As at 30 June 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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Smart Card system on public transportation is operating normally. The number of cards issued is rising steadily and more than 13 million transactions being processed on average per day. In Beijing's public transportation system, transactions in 90% of the total passenger traffic volume on public buses and 76% of total passenger traffic volume on subways are processed by the Smart Card system, making the system an electronic payment platform with the largest market share in Beijing. The business scope of the Smart Card system and the areas of its application are steadily on the increase. The application of small transaction payment has been extended to many mega business entities, delivering a substantial growth in the number of transactions.

During the period of business review, Beijing Enterprises Teletron Information Technology Co., Ltd. ("BETIT"), a major subsidiary of the Group, was undertaking the project for the supply and installation of safety doors on Line 4 of the Beijing Subway. Revenue from this project accounted for a significant portion of the Group's total operating revenue. This project is close to completion stage. During the same period, BETIT has been proactively preparing for and participating in the submission of tenders for the new lines of the Beijing Subway. These projects included the Automated Fare Collection ("AFC") System, safety door system, comprehensive monitoring system and passenger information system. Up to the present, the tender-winning projects amounted to more than HK\$250 million.

Prospects

Settlement for public transportation system is the Group's primary business in the electronic payment and settlement sector. The Group will work together with relevant government departments on executing Smart Card business agreements with public transport and subway operators to strengthen the revenue from the Smart Card system by making handling charges for public transport settlements a stable source of revenue. The Company will further explore the application of Smart Card in non-transportation sectors to expand value-added services in the industry.

BETIT will fully capitalise on its market expansion capability in the rail transportation sector, accomplish the submission of tenders for relevant projects and exercise stringent control over costs. Furthermore, the after-project repair and maintenance services will present an opportunity for BETIT to achieve sustainable development in the rail transportation sector in the future. BETIT will compile and execute a proposal on various repair and maintenance services to ensure the continuity of its business.

The Group will continue to monitor the development of China Information Technology Development Limited ("CITD") (stock code: 8178), an associate of the Group, so as to revise its investment strategy accordingly in due course.

Financial Review

The Group's total revenue for the six months ended 30 June 2009 was HK\$115,403,000, representing a decrease of 27% as compared to HK\$159,061,000 in the corresponding period last year; loss attributable to the shareholders of the Company during the period was HK\$23,822,000, representing a decrease of 50% as compared to the loss of HK\$47,939,000 in the corresponding period last year, a loss of HK3.5 cents per share. The board of directors does not recommend the payment of an interim dividend for 2009.

During the period, gross profit was HK\$4,549,000, representing an increase of 37% from HK\$3,321,000 in the corresponding period last year. Selling and distribution costs were HK\$2,959,000, representing a decrease of 55% from HK\$6,638,000 in the corresponding period last year. Administrative expenses (excluding the expenses on employees' share options) were HK\$27,147,000, representing an increase of 17% from HK\$23,237,000 in the corresponding period last year, while expenses on employees' share options were HK\$8,623,000, representing a substantial decrease of 74% from HK\$32,784,000 in the corresponding period last year.

As Beijing Municipal Administration & Communications Card Co., Ltd., a jointly-controlled entity of the Group, has not yet concluded any business agreement on the public transportation sector, its operating results have not been reflected in the Group's financial statements during the period under review.

As disclosed in the Company's 2008 annual report, since the final investigation findings from CITD's special committee have not yet been officially published, and the Group has not yet been provided, up to the present, by CITD with any financial information for the year ended 31 December 2008 and for the six months ended 30 June 2009, it was not able to equity account for any results of CITD during the period under review.

Financial Position

As at the end of the reporting period, the Group's total assets amounted to HK\$1,104,391,000, an increase of HK\$25,825,000 from HK\$1,078,566,000 at the beginning of the year, of which current assets amounted to HK\$857,112,000. Total liabilities were HK\$310,898,000, an increase of HK\$45,777,000 from HK\$265,121,000 million at the beginning of the year, of which current liabilities amounted to HK\$249,744,000. Net asset value decreased from HK\$813,445,000 at the beginning of the year to HK\$793,493,000 (equivalent to HK\$1.17 per share) as at the end of the reporting period, in which interests attributable to the shareholders of the Company and minority interests amounted to HK\$752,721,000 and HK\$40,772,000 respectively.

As at the end of the reporting period, cash and bank balances held by the Group amounted to HK\$616,235,000. The Group did not have any bank borrowings, nor did it hold any financial derivatives. The current ratio of the Group declined slightly from 3.65 at the beginning of the year to 3.43, while the total liabilities to assets ratio increased from 24.6% at the beginning of the year to 28.2%, suggesting that a sound financial position has been maintained. The cash and bank balances held by the Group are denominated in Hong Kong dollars (32%) and Renminbi (68%) respectively, while other current assets and liabilities are principally denominated in Renminbi. The Group was not exposed to any material exchange risks.

MANAGEMENT DISCUSSION AND ANALYSIS

For the first half of 2009, the Group's capital expenditures were HK\$876,000. As at the end of the reporting period, the capital commitment of the Group amounted to HK\$34,091,000. The Group did not have any material contingent liabilities.

Employees

The total number of full-time employees hired by the Group maintained at 328 employees. Excluding the expenses on share options, the total expenses on employee benefits amounted to HK\$21,075,000. The management believes the salaries offered by the Group to its employees are competitive.

Appreciation

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

By Order of the Board

E Meng

Chairman

Hong Kong

11 September 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	Six months ended	
		30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
REVENUE	4	115,403	159,061
Cost of sales		(110,854)	(155,740)
Gross profit		4,549	3,321
Losses on deemed disposal of a partial interest in an associate	5	–	(2,778)
Other income and gains, net	4	3,055	9,455
Selling and distribution costs		(2,959)	(6,638)
Administrative expenses		(35,770)	(56,021)
Other expenses, net		79	424
Share of profits and losses of:			
Jointly-controlled entities		(254)	(861)
Associates		28	1,151
LOSS BEFORE TAX	6	(31,272)	(51,947)
Tax	7	2,587	(538)
LOSS FOR THE PERIOD		<u>(28,685)</u>	<u>(52,485)</u>
Attributable to:			
Shareholders of the Company		(23,822)	(47,939)
Minority interests		(4,863)	(4,546)
		<u>(28,685)</u>	<u>(52,485)</u>
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
Basic (HK cents)		<u>(3.52)</u>	<u>(7.01)</u>
Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended	
	30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	<u>(28,685)</u>	<u>(52,485)</u>
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translating foreign operations	<u>110</u>	<u>12,329</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>110</u>	<u>12,329</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u><u>(28,575)</u></u>	<u><u>(40,156)</u></u>
Attributable to:		
Shareholders of the Company	<u>(23,728)</u>	<u>(35,923)</u>
Minority interests	<u>(4,847)</u>	<u>(4,233)</u>
	<u><u>(28,575)</u></u>	<u><u>(40,156)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		10,498	11,290
Investment properties		43,730	43,730
Goodwill		68,625	68,625
Other intangible assets		5,694	6,878
Interests in jointly-controlled entities		12,111	13,842
Interests in associates	10	54,062	54,034
Trade receivables	11	36,949	24,941
Deferred tax assets		15,610	12,211
Total non-current assets		247,279	235,551
CURRENT ASSETS			
Inventories		14,841	29,664
Amounts due from contract customers		39,801	32,592
Trade receivables	11	123,337	91,668
Prepayments, deposits and other receivables		61,825	66,570
Available-for-sale investment		–	3,977
Income tax recoverable		1,073	1,073
Pledged deposits		6,288	5,057
Cash and cash equivalents		609,947	612,414
Total current assets		857,112	843,015
CURRENT LIABILITIES			
Trade and bills payables	12	150,139	146,215
Amounts due to contract customers		11,335	10,854
Income tax payable		225	153
Other payables and accruals		88,045	73,808
Total current liabilities		249,744	231,030
NET CURRENT ASSETS		607,368	611,985
TOTAL ASSETS LESS CURRENT LIABILITIES		854,647	847,536
NON-CURRENT LIABILITIES			
Trade and bills payables	12	27,063	–
Deferred income		34,091	34,091
Total non-current liabilities		61,154	34,091
Net assets		793,493	813,445
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	13	677,460	677,460
Reserves		75,261	90,366
		752,721	767,826
Minority interests		40,772	45,619
Total equity		793,493	813,445

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to shareholders of the Company											
	Share	Capital	Share	Exchange	PRC	Proposed		Minority	Total	Minority	Total	
	Issued	premium	redemption	option	Capital	fluctuation	reserve					Accumulated
	capital	account	reserve	reserve	reserve	reserve	funds	losses	dividend	Total	interests	equity
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2009	677,460	170,319*	9,721*	66,120*	20,474*	41,816*	40,831*	(258,915)*	-	767,826	45,619	813,445
Loss for the period	-	-	-	-	-	-	-	(23,822)	-	(23,822)	(4,863)	(28,685)
Other comprehensive income	-	-	-	-	-	94	-	-	-	94	16	110
Total comprehensive income/(loss)	-	-	-	-	-	94	-	(23,822)	-	(23,728)	(4,847)	(28,575)
Equity-settled share	-	-	-	-	-	-	-	-	-	-	-	-
option arrangements	-	-	-	8,623	-	-	-	-	-	8,623	-	8,623
Transfer to accumulated losses	-	-	-	(3,674)	-	-	-	3,674	-	-	-	-
Transfer to PRC reserve funds	-	-	-	-	-	-	465	(465)	-	-	-	-
At 30 June 2009	<u>677,460</u>	<u>170,319*</u>	<u>9,721*</u>	<u>71,069*</u>	<u>20,474*</u>	<u>41,910*</u>	<u>41,296*</u>	<u>(279,528)*</u>	<u>-</u>	<u>752,721</u>	<u>40,772</u>	<u>793,493</u>
At 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
Loss for the period	-	-	-	-	-	-	-	(47,939)	-	(47,939)	(4,546)	(52,485)
Other comprehensive income	-	-	-	-	-	12,016	-	-	-	12,016	313	12,329
Total comprehensive income/(loss)	-	-	-	-	-	12,016	-	(47,939)	-	(35,923)	(4,233)	(40,156)
Exercise of share options	5,700	1,039	-	(1,039)	-	-	-	-	-	5,700	-	5,700
Equity-settled share option	-	-	-	-	-	-	-	-	-	-	-	-
arrangements	-	-	-	32,784	-	-	-	-	-	32,784	-	32,784
Capital contribution from	-	-	-	-	-	-	-	-	-	-	1,705	1,705
a minority shareholder	-	-	-	-	-	-	-	-	-	-	-	-
Deemed disposal of	-	-	-	-	6,716	5,196	-	-	-	11,912	-	11,912
a partial interest in an associate	-	-	-	-	-	-	599	(599)	-	-	-	-
Transfer to PRC reserve funds	-	-	-	-	-	-	-	(272)	(54,702)	(54,974)	-	(54,974)
Final 2007 dividend	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2008	<u>687,181</u>	<u>170,319</u>	<u>-</u>	<u>46,603</u>	<u>342,216</u>	<u>41,481</u>	<u>41,218</u>	<u>(197,202)</u>	<u>-</u>	<u>1,131,816</u>	<u>46,531</u>	<u>1,178,347</u>

* These reserve accounts comprise the reserves of HK\$75,261,000 (31 December 2008: HK\$90,366,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended	
	30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(6,037)	(106,880)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(17,563)	6,569
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	—	(27,569)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,600)	(127,880)
Cash and cash equivalents at beginning of period	486,278	718,373
Effect of foreign exchange rate changes, net	110	10,224
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>462,788</u>	<u>600,717</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	616,235	605,187
Less: Pledged deposits	(6,288)	(4,470)
Time deposits with maturity of more than three months when acquired	(147,159)	—
	<u>462,788</u>	<u>600,717</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed interim consolidated financial statements for the six months ended 30 June 2009 are prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These condensed interim consolidated financial statements have not been audited, but have been reviewed by the Company's audit committee.

2. Accounting Policies

Except for the adoption of a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations issued by the HKICPA, which are generally effective for accounting periods beginning on or after 1 January 2009, the accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2008.

Amongst all, the adoption of the following new and revised standards had resulted in additional disclosures as further explained below:

HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>

- (a) HKFRS 8 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 Company and its subsidiaries (collectively referred to as the "Group") operates, and revenue from the Group's major customers.
- (b) HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements (including changes to the titles of the main 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 revised 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 has elected to present the information in two linked statements.

The adoption of other new or revised standards and interpretation has had no material effect on these unaudited interim condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segment Information

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

Analysis of the Group's revenues from external customers for each group of similar products and services are disclosed in note 4 to the interim consolidated financial statements.

The Group's revenue from external customers is derived solely from its operations in the People's Republic of China ("PRC"), and all non-current assets of the Group are located in the PRC.

During the six months ended 30 June 2009, the Group had transactions with a single external customer which contributed to over 10% of the Group's total revenue (2008: two). The revenue generated from such customer(s), in aggregate, was amounted to HK\$87,739,000 (2008:HK\$95,499,000).

4 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; and (4) gross rental income for the six months ended 30 June 2009.

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

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Revenue		
Construction contracts	90,082	132,630
Sale of softwares	12,693	18,956
Rendering of services	11,317	5,972
Gross rental income	1,311	1,503
	<u>115,403</u>	<u>159,061</u>
Other income		
Bank interest income	2,442	6,194
Investment income	407	-
Imputed interest on interest-free trade receivables with extended credit periods	148	-
Others	58	233
	<u>3,055</u>	<u>6,427</u>
Gains, net		
Foreign exchange differences, net	-	3,028
Other income and gains, net	<u>3,055</u>	<u>9,455</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. 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 six months ended 30 June 2008 arose from the conversion of convertible bonds of an associate of the Group, CITD, by a bondholder for 261,000,000 new ordinary shares of CITD in aggregate during the period from February to April 2008.

6. Loss Before Tax

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

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Depreciation	1,501	1,246
Amortisation of other intangible assets [®]	1,184	1,364
Impairment of an amount due from an associate*	31	33
Reversal of impairment of trade receivables, net*	(154)	(1,095)
Impairment of other receivables, net*	–	335
Written back of provision against inventories, net [®]	<u>(91)</u>	<u>–</u>

[®] These amounts are included in "Cost of sales" in the face of the condensed consolidated income statement.

* These amounts are included in "Other expenses, net" in the face of the condensed consolidated income statement.

7. Tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2009 and 2008 as the Group did not generate any assessable profits arising in Hong Kong during the periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Current – Elsewhere		
Charge for the period	737	1,152
Underprovision in prior periods	75	480
Deferred	<u>(3,399)</u>	<u>(1,094)</u>
Total tax charge/(credit) for the period	<u>(2,587)</u>	<u>538</u>

8. Loss per Share Attributable to Shareholders of the Company

The calculation of basic loss per share amounts is based on the loss for the period attributable to shareholders of the Company for the six months ended 30 June 2009 of HK\$23,822,000 (2008: HK\$47,939,000) and the 677,460,150 (2008: weighted average of 684,195,436) ordinary shares in issue during the period.

Diluted loss per share amounts for the six months ended 30 June 2009 and 2008 had not been disclosed as (i) the share options of the Company outstanding during the periods has an anti-dilutive effect on the basic loss per share amounts for the periods; 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 periods.

9. Interim Dividend

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

10. Interests in Associates

Included in the interests in associates as at 30 June 2009 was the balance attributable to the share of net assets, net of impairment, of CITD of HK\$51,577,000 (31 December 2008: HK\$51,577,000). As further explained in note 24(a) to the financial statements of the Group for the year ended 31 December 2008 and as at the date of approval of these condensed consolidated financial statements, the special investigation of CITD has not yet been completed and no relevant and reliable financial information had been made available to enable the Group to account for its interest in CITD for the year ended 31 December 2008 and six months ended 30 June 2009. The Group did not equity account for any operating results of CITD for the six months ended 30 June 2009.

11. Trade Receivables

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Trade Receivables *(continued)*

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Neither past due nor impaired	<u>36,949</u>	<u>24,941</u>
Past due but not impaired:		
Current or within 3 months	96,199	77,037
4 to 6 months	–	236
7 to 12 months	14,447	1,544
Over 1 year	<u>12,691</u>	<u>12,851</u>
	<u>123,337</u>	<u>91,668</u>
	<u>160,286</u>	<u>116,609</u>
Portion classified as current assets	<u>(123,337)</u>	<u>(91,668)</u>
Non-current portion	<u><u>36,949</u></u>	<u><u>24,941</u></u>

12. Trade and Bills Payables

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Not yet due for payment for over 1 year	<u>27,063</u>	<u>–</u>
Due for payment:		
Within 3 months	122,418	71,115
4 to 6 months	5,264	4,460
7 to 12 months	10,262	25,638
Over 1 year	<u>12,195</u>	<u>45,002</u>
	<u>150,139</u>	<u>146,215</u>
	<u>177,202</u>	<u>146,215</u>
Portion classified as current liabilities	<u>(150,139)</u>	<u>(146,215)</u>
Non-current portion	<u><u>27,063</u></u>	<u><u>–</u></u>

The trade and bills payables are non-interest-bearing and normally settled within one to three months, with instalment period extended up to six years for major suppliers.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Share Capital

Shares

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$1 each	<u><u>1,000,000</u></u>	<u><u>1,000,000</u></u>
Issued and fully paid:		
677,460,150 ordinary shares of HK\$1 each	<u><u>677,460</u></u>	<u><u>677,460</u></u>

There is no movement in the Company's issued share capital during the six months ended 30 June 2009. A summary of the movement in the Company's issued share capital during the six months ended 30 June 2008 is as follows:

	Number of ordinary shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
Note				
At 1 January 2008	681,481,150	681,481	169,280	850,761
Share options exercised	(a) <u>5,700,000</u>	<u>5,700</u>	<u>1,039</u>	<u>6,739</u>
At 30 June 2008	<u><u>687,181,150</u></u>	<u><u>687,181</u></u>	<u><u>170,319</u></u>	<u><u>857,500</u></u>

Note:

- (a) During the six months ended 30 June 2008, the subscription rights attaching to 5,700,000 share options were exercised at the subscription price of HK\$1 per share, resulting in the issue of 5,700,000 ordinary shares of HK\$1 each for a total cash consideration of HK\$5,700,000. As a result of the exercise of those share options, their fair value of HK\$1,039,000 previously recognised in the share option reserve was transferred to the share premium account.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Share Capital *(continued)*

Share options

Details of the Company's share option scheme (the "Scheme") and the share options issued under the Scheme are set out under the heading "Share Option Scheme" in the section of "General Information" on pages 23 to 25.

14. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2009 (31 December 2008: Nil).

15. Capital Commitments

At the end of the reporting period, the Group had capital commitments in respect of acquisition of plant and machinery of HK\$34,091,000 (31 December 2008: HK\$34,091,000), which are authorised, but not contracted for.

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Contracted, but not provided for	662	1,037
Authorised, but not contracted for	3,666	4,987
	4,328	6,024

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. Related Party Disclosures

- (a) Material transactions with related parties:

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Purchase of goods from associates	-	4,982
Sale of products to a jointly-controlled entity	-	1,620

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

- (b) Other material transactions with related parties:

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"), a former executive director and the chief executive officer of CITD and also a director and the general manager of Beijing Enterprises UniCard Co., Ltd., a 71.7% indirectly-owned subsidiary of the Company, to dispose of 600,000,000 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 has been extended to a date on or before 30 September 2009. As at the date of approval of these condensed consolidated financial statements, the transaction has yet to be completed.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. Related Party Disclosures *(continued)*

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Due from related companies:		
A substantial shareholder	1,086	1,086
Jointly-controlled entities	1,753	4,621
An associate	423	423
Minority shareholders	1,704	3,302
Due to related companies:		
A jointly-controlled entity	22	29
Associates	<u>34,240</u>	<u>29,699</u>

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

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

	Six months ended 30 June 2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Short term employee benefits	2,703	2,367
Post-employment benefits	208	213
Equity-settled share option expense	<u>6,738</u>	<u>26,317</u>
Total compensation paid to key management personnel	<u>9,649</u>	<u>28,897</u>

17. Approval of the Condensed Consolidated Financial Statements

These condensed consolidated financial statements were approved and authorised for issue by the board of directors on 11 September 2009.

GENERAL INFORMATION

Directors

The directors of the Company during the six months ended 30 June 2009 and up to the date of this report were:

Executive directors:

Mr. E Meng
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

Directors' Service Contracts

At 30 June 2009, no director had 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' Interests in Contracts

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 six months ended 30 June 2009.

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2009, 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:

GENERAL INFORMATION

Directors' Interests and Short Positions in Shares and Underlying Shares

(continued)

Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through a controlled corporation	Total	
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
	<u>6,395,000</u>	<u>8,792,755</u>	<u>15,187,755</u>	<u>2.24</u>

[#] 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.

Long positions in share options of an associated corporation:

At 30 June 2009, Mr. Zhang Honghai directly beneficially owned 20,000,000 share options of 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 30 June 2009, 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 six months ended 30 June 2009 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") 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 these limits is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after 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.

GENERAL INFORMATION

Share Option Scheme *(continued)*

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.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2009:

Name or category of participant	Notes	Number of share options		
		At 1 January 2009	Forfeited during the period	At 30 June 2009
Executive directors:				
Mr. E Meng	(a)	4,500,000	–	4,500,000
	(b)	1,500,000	–	1,500,000
	(d)	3,000,000	–	3,000,000
		<u>9,000,000</u>		<u>9,000,000</u>
Mr. Zhang Honghai	(a)	<u>6,800,000</u>	–	<u>6,800,000</u>
Mr. Wang Yong	(a)	6,000,000	–	6,000,000
	(d)	1,000,000	–	1,000,000
		<u>7,000,000</u>	–	<u>7,000,000</u>
Mr. Cao Wei	(a)	4,000,000	–	4,000,000
	(d)	2,300,000	–	2,300,000
		<u>6,300,000</u>	–	<u>6,300,000</u>
Mr. Yan Qing	(a)	3,200,000	–	3,200,000
	(d)	1,500,000	–	1,500,000
		<u>4,700,000</u>	–	<u>4,700,000</u>
Mr. Ng Kong Fat, Brian	(a)	4,000,000	–	4,000,000
	(d)	1,500,000	–	1,500,000
		<u>5,500,000</u>	–	<u>5,500,000</u>
Mr. Li Kangying*	(a)	2,250,000	(2,250,000)	–
	(d)	2,800,000	(2,800,000)	–
		<u>5,050,000</u>	<u>(5,050,000)</u>	<u>–</u>
Independent non-executive directors:				
Dr. Jin Lizuo	(a)	<u>680,000</u>	–	<u>680,000</u>
Dr. Huan Guocang	(c)	<u>680,000</u>	–	<u>680,000</u>
Dr. Wang Jianping	(c)	<u>680,000</u>	–	<u>680,000</u>
Other employees:				
In aggregate	(a)	26,300,000	–	26,300,000
In aggregate	(d)	900,000	–	900,000
		<u>27,200,000</u>	–	<u>27,200,000</u>
		<u>73,590,000</u>	<u>(5,050,000)</u>	<u>68,540,000</u>

Share Option Scheme *(continued)*

- * Mr. Li Kangying resigned as an executive director of the Company on 17 October 2008. The 5,050,000 share options held by Mr. Li Kangying as at 31 December 2008 were forfeited in January 2009 upon the expiry of his three-month post-resignation exercisable period.

Notes:

- (a) 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.
- (b) 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.
- (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 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.
- (d) 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.

At 30 June 2009, 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 as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 68,540,000 additional ordinary shares of the Company and additional share capital of HK\$68,540,000 and share premium of HK\$185,225,000, before any issuance expenses.

GENERAL INFORMATION

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

At 30 June 2009, 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:

Name	Notes	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporations	Total	
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)	–	292,587,000	292,587,000	43.19

Notes:

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

Save as disclosed above, as at 30 June 2009, 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.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 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.

Corporate Governance Practice

The Company is committed to ensuring high standard of corporate governance and establishing a formal and transparent procedure to protect and maximise the interests of shareholders. In the opinion of the directors, the Company complied with the code provisions (the “Code Provisions”) as set out in Appendix 14 “Code of Corporate Governance Practices” to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the period under review, except Code Provisions A.1.1 and A.4.1.

- (1) Code Provision A.1.1 stipulates members of the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals and such regular board meetings will normally involve the active participation, either in person or through other electronic means of communication. However, the Company considers it is more efficient to hold board meetings to address emerging issues as appropriate.
- (2) Code Provision A.4.1 stipulates non-executive directors should be appointed for a specific term, subject to re-election. However, none of the existing non-executive directors of the Company is appointed for a specific term. All of the non-executive directors are subject to retirement by rotation in accordance with the Company’s articles of association.

As such, the Company considers that sufficient measures are in place to ensure that the corporate governance practices of the Company are no less exacting than those of the Code Provisions.

Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules for securities transactions by the directors. All the directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2009.

Audit Committee

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

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

The audit committee has reviewed the unaudited condensed consolidated financial statement of the Group for the six months ended 30 June 2009.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

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

The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors.

Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. The Company convened meeting periodically to discuss financial, operational and risk management control. During the six months ended 30 June 2009, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.