Beijing Development (Hong Kong) Limited

(Stock Code 154)

Annual Report 2010

Contents

Directors

Executive directors:

Mr. E Meng *(Chairman)*
Mr. Zhang Honghai
Mr. Wang Yong
Mr. Yan Qing
Ms. Sha Ning
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

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

Website

http://www.bdhk.com.hk

Stock Code

154

Share Registrars

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

Auditors

Ernst & Young

Principal Bankers

In Hong Kong:

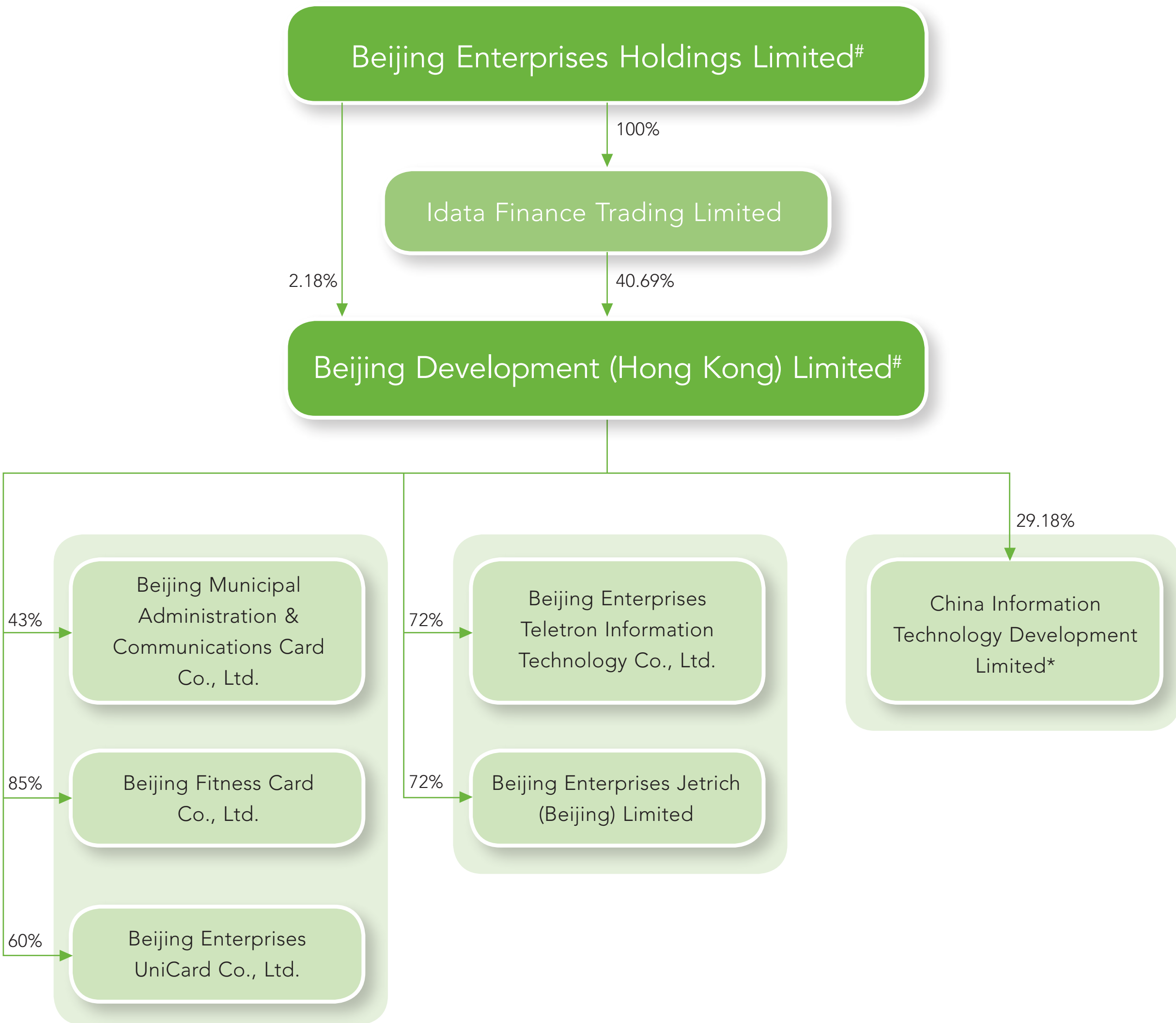
Bank of China (Hong Kong) Limited

In Mainland China:

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

Corporate Structure

31 March 2011



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

For the year ended 31 December 2010, the Group recorded revenue of HK$211.64 million, a decline of 6% from HK$225.38 million for last year; the loss attributable to shareholders of the Company amounted to HK$23.46 million, narrowed by 85% from the loss of HK$158.42 million for last year; loss per share was HK3.5 cents. As at the end of 2010, the net assets attributable to shareholders of the Company amounted to HK$619.23 million or HK$0.91 per share.

During the year under review, the operating results of the Group improved. Beijing Municipal Administration & Communications Card Co., Ltd. has been witnessing a steady growth in both the number of cards issued and the transaction volume of the system. However, it has not contributed any investment returns to the Group for years as no long-term stable source of revenue has been ultimately secured.

The Group will precisely assess its portfolio of assets, optimise and realise its under-performing assets and further adjust its business structure in light of market conditions to improve the performance of the Group. The Group will capitalise on its abundant liquidity to fund significant investment should opportunities arise, and will leverage on its investment and financing platform so as to bring reasonable return to shareholders.

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

E Meng
Chairman

Hong Kong
31 March 2011

Business Review

I. Electronic Payment and Settlement Business

As of the end of 2010, 35.5 million Smart Cards were issued and circulating by Beijing Municipal Administration & Communications Card Co., Ltd. ("BMAC"). With the expansion of the rail transportation network in Beijing, BMAC maintained a steady growth in the core business of the public transportation system, accounting for 90% and 75% of the total passenger traffic volume on public buses and subways respectively. In 2010, 5.145 billion transactions were made with consumption amount of RMB4.253 billion, representing a year-on-year increase of 4.4% and 13.7% respectively. The commercial use of the Smart Card in the non-transportation areas was also on a steady increase with over 50 new merchants, 500 new stores and 1,000 new POS terminals in 2010, and 30 million transactions were made with consumption amount of RMB233 million, representing a year-on-year increase of 60% and 26% respectively.

However, the service charges for public transportation settlements, being the primary income stream of the Smart Card system, have not been determined. BMAC received government subsidy of RMB120 million during the year, decreased by RMB10 million as compared with that in 2009. No profit was contributed to the Group by BMAC despite a break-even is achieved during the year under review.

II. System Integration Business

With regard to the rail transportation sector in Beijing, in addition to the completion of after-sales service within the maintenance period for the existing projects (i.e. the safety doors for Line 10 and Line 4), Beijing Enterprises Teletron Information Technology Co., Ltd. ("BETIT") completed the installation and testing of safety doors for the Daxing Line during the year under review. It is a pilot project of domestic safety doors and commenced the trial operation at the end of 2010. The Automated Fare Collection system phase II for Line 8 and the safety door project for Line 9 are also under design and planning. A number of intellectualisation projects in the non-rail transportation sector in Beijing and the neighbouring regions were completed during the year to gradually extend business scope of the Group.

With the effective cost control measures, BETIT successfully made a turnaround from material loss in the previous year, and the operating results broke even during the year.

III. IT Related Services on Education Business

The scope of the business covers (1) network system: members of the Group have ISP and ICP licences to provide internet access services to education commissions, over 1,600 primary and secondary schools, 27 colleges and universities, organisations directly under their supervision in various districts and counties in Beijing, and management, operation and maintenance services to Beijing Municipal Education Commission for the Beijing Education Information Network, whose number of IP addresses rank top ten in the PRC; (2) data maintenance: the Group started the CMIS 4.0 project, completed the comprehensive examination and enrolment service projects of different education levels in Beijing as well as the issuance, data maintenance and management of over 1.3 million student cards of primary and secondary schools in Beijing; and (3) product research and development: research and development of various education management systems and platforms for Beijing Municipal Education Commission and Chaoyang District Education Commission to actively promote digitalised campus and develop Chinese characters hand-writing learning system.

IV. Others

The business of China Information Technology Development Limited ("CITD", stock code: 8178), being a strategic investment of the Group, resumed its growth. The loss significantly decreased by 53% to HK$26.53 million in 2010, and the book value of investment in the Group amounted to HK$18.39 million as at the end of 2010. CITD continued its commitment to improve its internal control and accounting reporting system, and has applied to the Stock Exchange for the resumption of the trading of its shares, and pending for the reply from the Stock Exchange.

Prospects

Notwithstanding coordination with different sectors over the years, BMAC has not reached an agreement on charges of settlement services with public buses and subway operators, and could not achieve a steady income from its principal businesses. As it is uncertain that a fixed financial subsidy mechanism can be established and the specific rules of relevant policies and regulations in relation to non-financial institutes providing payment services are unclear, the prospect of profitability of BMAC cannot be reliably forecasted. Nevertheless, the electronic payment and settlement business is the core business in urban information-based construction. It will bring return from investment to BMAC if it can secure a long-term stable source of revenue.

BETIT passed the 2010 review and maintained its "System Integration Grade One" licence. In view of the intensifying market competition, BETIT will enhance its enterprise value by fully capitalising on its experience in the intellectualisation projects and rail transportation sector, actively expanding the market, as well as research and development of proprietary intellectual property rights of domestic safety doors.

Backed up by the established resources in the IT related services on educational sector, the Group is hallmarked by successful cases in network system, data maintenance and product research and development, which will be a new highlight for the Group's profitability in the future.

Financial Review

Revenue

The Group's revenue in 2010 was HK$211.64 million, dropped 6.1% as compared with HK$225.38 million in 2009. This was mainly caused by the decrease in the volume of large-scale IT construction contracts as a result of keen competition in public tendering.

Cost of Sales

The Group's cost of sales in 2010 was HK$176.75 million, dropped 23.2% as compared with HK$230.01 million in 2009.

Gross Profit/(Loss)

Under rigorous cost control mechanism, the Group achieved a gross profit of HK$34.89 million in 2010, comparing with the gross loss of HK$4.63 million in 2009.

Other Income and Gain, Net

The Group's other income and gain in 2010 amounted to HK$13.44 million, mainly comprised of bank interest income of HK$6.15 million, consultancy income of HK$3.26 million, subsidy income of HK$2.04 million and the imputed interest on interest-free trade receivables with extended credit periods of HK$1.45 million.

Selling and Distribution Costs

The Group's selling and distribution costs in 2010 increased by 19.2% to HK$9.33 million.

Administrative Expenses

The Group's administrative expenses in 2010 decreased by 8.7% to HK$58.33 million.

Other Expenses, Net

The Group's other expenses in 2010 amounted to a net income of HK$6.06 million, mainly comprised of the reversal of impairment of trade receivables of HK$6.69 million during the year.

Finance Costs

The Group's finance costs of HK$6.22 million wholly represented the imputed interest on interest-free trade payables with extended credit periods in 2010.

Share of Profits and Losses of Jointly-controlled Entities and Associates

The Group's return on investments of jointly-controlled entities and associates has been improved as compared with last year. During the year under review, the Group's share of net profits of jointly-controlled entities increased to HK$1.56 million and the Group's share of net losses of associates reduced to HK$8.25 million.

Income Tax

The Group's income tax comprised current tax charge of HK$0.13 million and deferred tax expenses of HK$1.46 million in 2010.

Loss for the Year

Based on the foregoing, the loss for the year ended 31 December 2010 was HK$27.76 million, decreased by HK$149.09 million or 84.3% as compared with the loss of HK$176.85 million in 2009. The loss attributable to shareholders of the Company was HK$23.46 million, decreased by HK$134.96 million or 85.2% as compared with the loss of HK$158.42 million in 2009.

Financial Position

During the year under review, there was no change in the capital structure of the Company. As at the end of 2010, the Group had total assets and total liabilities of HK$925.39 million and HK$281.22 million, respectively, decreased by HK$7.77 million and HK$2.07 million, respectively, as compared with the end of 2009. The net assets of the Group decreased by HK$5.7 million from HK$649.87 million to HK$644.17 million, of which equity attributable to shareholders of the Company amounted to HK$619.23 million as at the end of 2010.

As at 31 December 2010, the cash and bank balances held by the Group amounted to HK$619.71 million, which were denominated as to approximately 36% in Hong Kong dollars and 64% in Renminbi. The Group did not have any bank borrowings, nor did it hold any financial derivatives. As at the end of 2010, the Group had a strong net working capital of HK$558.05 million and its current ratio and the total liabilities to assets ratio remained steady at 3.42 times and 30.4%, respectively. The Group has sufficient cash resources to finance its operations and capital expenditures in the foreseeable future.

During the year under review, the Group had capital expenditures of HK$3.92 million. As at 31 December 2010, the Group had capital commitment of HK$35.29 million. The Group did not have any material contingent liabilities.

Employees

At the end of 2010, the Group had approximately 310 employees. The Group's employee remuneration policy and package are periodically reviewed by the management based on the employees' work performance, professional experiences and prevailing market practices. Discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance. The Group's total expenses on employee benefits in 2010 amounted to HK$33.28 million, comparing to HK$34.57 million in 2009.

Executive Directors

Mr. E Meng, aged 52, is the chairman of the Company. Mr. E also serves as the chief financial officer of Beijing Enterprises Group Company Limited ("BEGCL"), an executive director and the executive 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. 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 58, also serves as a director of BEGCL, a vice chairman, an executive director and the chief executive officer of BEHL, and the chairman and an executive director of BE Water Group. Mr. Zhang graduated from Peking University in 1982 and subsequently completed a postgraduate programme at the International Business School of Hunan University and was awarded a master degree and the title of senior economist. Mr. Zhang also obtained an EMBA degree from Guanghua School of Management, Peking University. Mr. Zhang has worked for the Beijing Municipal Government for many years. Prior to joining the Company, Mr. Zhang was the director of the Foreign Affairs Office of the People's Government of Beijing Municipality and Hong Kong and Macao Affairs Office of the People's Government of Beijing Municipality. Mr. Zhang currently is the vice president of the Beijing Chinese Overseas Friendship Association. Mr. Zhang initially worked as deputy general manager and was then promoted to vice chairman and general manager of Beijing International Trust Investment Limited during the period from 1990 to 1998, and has accumulated extensive experience in corporate management. Mr. Zhang joined the Group in March 2004.

Mr. WANG Yong, aged 57, 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 ("BHL") 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. YAN Qing, aged 50, is a vice president of the Company and also serves as the office manager of BEGCL. 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 extensive experience in finance and management. Mr. Yan joined the Group in February 2005.

Executive Directors *(continued)*

Ms. SHA Ning, aged 40, is a vice president of the Company and also serves as the manager of audit department of BEHL. Ms. Sha graduated from the Business Faculty of Heilongjiang University in 1992, majored in Business and Economic Studies, and holds a second degree in Foreign Trade Accounting in Beijing School of Business and Capital University of Economics and Business, an EMBA degree from The Hong Kong University of Science and Technology and the title of PRC Senior Accountant. Ms. Sha joined BEHL in 2001 and has extensive working experience in financial management. From 2001 to 2008, Ms. Sha has been assigned as the financial controller of certain subsidiaries of BEHL. Ms. Sha joined the Group in March 2009.

Mr. NG Kong Fat, Brian, aged 55, 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 53, holds a doctorate degree in Economics from Oxford University and has been the chief councillor of Shanghai Institute of Law & Economics, the chairman of Zhonghe Yingtai Management Consultancy Co., Ltd., the specialist committee member of China Xinda Assets Management Corporation. Dr. Jin graduated from Peking University School of Economics in 1982 and has been teaching in the university. From 1983 to 1988, Dr. Jin served as the member of State Economic Structure Reforms Committee and was the First President (1988-89) of Chinese Economic Association (UK). From 1993 to 1995, Dr. Jin has worked for N.M. Rothschild and Morgan Stanley and thereafter accumulated extensive experience in investment banking and financial management. Dr. Jin joined the Group in September 2004.

Dr. HUAN Guocang, aged 61, is currently the chief executive officer of Primus Pacific Partners Limited ("Primus"). Dr. Huan holds master degrees in arts from the Graduate School of International Studies of the University of Denver in 1982 and Columbia University in 1983, a PhD degree from Princeton University in 1987 and John Olin post doctorial fellow from the Centre for International and Strategic Studies of Harvard University in 1987. Before the set-up of Primus in 2005, Dr. Huan has been the Head of Investment Banking (Asia Pacific) of HSBC, the co-Head of Investment Banking (Asia Pacific) of Citigroup, the managing director and Head of China of BZW Asia Limited, a senior economist and vice president of J.P. Morgan, an assistant professor of Columbia University and an economist of Deutsche Bank. Dr. Huan joined the Group in January 2008.

Dr. WANG Jianping, aged 53, is currently a senior partner of King & Wood, a law firm in China and a full-time member of the IPO Review Committee for the Growth Enterprise Board of China Securities Regulatory Commission. 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.

Senior Management

Mr. WONG Kwok Wai, Robin, aged 44, is the financial controller and the company secretary of the Company. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has been worked for a major international accounting firm and has extensive experience in administration, auditing, accounting and corporate finance. Mr. Wong joined the Group in July 1993.

Mr. WU Miaolin, aged 48, 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 39, 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 52, 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 extensive operation and management experience in the field of information technology. Ms. Sun joined the Group in February 2002.

Mr. HUANG Minghui, aged 45, 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 obtained a master degree in business administration from Tulane University, USA in 2005. Mr. Huang has been worked as a lecturer in BUAA. From 1997 to 2003, Mr. Huang was the chief engineer of Beijing Education Network and Information Centre. Mr. Huang joined the Group in June 2003.

Corporate Governance Practices

Save as disclosed below, in the opinion of the directors, the Company has complied with all the applicable code provisions (the "Code Provision") of the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2010.

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 2010.

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 9 and 10. 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.

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*	**Position**	**Attendance**
Mr. E Meng		Chairman and executive director	2/2
Mr. Zhang Honghai		Executive director	1/2
Mr. Wang Yong		Executive director	2/2
Mr. Cao Wei	*(a)*	Executive director	1/1
Mr. Yan Qing		Executive director	2/2
Ms. Sha Ning	*(b)*	Executive director	0/0
Mr. Ng Kong Fat, Brian		Executive director	2/2
Dr. Jin Lizuo		Independent non-executive director	2/2
Dr. Huan Guocang		Independent non-executive director	0/2
Dr. Wang Jianping		Independent non-executive director	0/2

Notes:

(a) Mr. Cao Wei resigned as an executive director on 3 August 2010.

(b) Ms. Sha Ning was appointed an executive director on 31 August 2010.

Chairman and President

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

Non-executive Directors

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

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 8 to the financial statements.

The remuneration committee did not hold any meeting during the year under review.

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 was HK$2,200,000 and for non-audit service assignment was HK$400,000, which represented an agreed-upon procedures engagement in connection with the Group's interim financial report.

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

Name of member	**Attendance**
Dr. Huan Guocang	2/2
Dr. Jin Lizuo	2/2
Dr. Wang Jianping	2/2

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 page 24. 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.

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 2010.

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 17 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 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 105.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the annual reports or audited financial statements, as appropriate, is set out on page 106. This summary does not form part of the audited financial statements.

Equipment and Investment Properties

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

Share Capital and Share Options

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year are set out in note 30 to the financial statements.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2010, 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 39% of the total sales for the year and sales to the largest customer included therein amounted to 27%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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. Yan Qing	
Ms. Sha Ning	(appointed on 31 August 2010)
Mr. Ng Kong Fat, Brian	
Mr. Cao Wei	(resigned on 3 August 2010)

Independent non-executive directors:

Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping

In accordance with articles 95 and 104(a) of the Company's articles of association, Messrs. Wang Yong, Yan Qing and Wang Jianping and Ms. Sha Ning 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 independent non-executive directors of the Company and, as at the date of this report, still considers them to be independent.

Directors' and Senior Management's Biographies

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

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 page 14 of the annual report.

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 year.

Directors' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2010, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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: 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. Yan Qing	4,000	–	4,000	–
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755#	10,392,755	1.53
	6,205,000	8,792,755	14,997,755	2.21

\# 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.

Save as disclosed above, as at 31 December 2010, 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.

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 30 to the financial statements.

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

		Number of share options		
Name or category of participant	*Notes*	**At 1 January 2010**	**Forfeited during the year**	**At 31 December 2010**
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
		9,000,000	–	9,000,000
Mr. Zhang Honghai	*(a)*	6,800,000	–	6,800,000
Mr. Wang Yong	*(a)*	6,000,000	–	6,000,000
	(d)	1,000,000	–	1,000,000
		7,000,000	–	7,000,000
Mr. Cao Wei *	*(a)*	4,000,000	(4,000,000)	–
	(d)	2,300,000	(2,300,000)	–
		6,300,000	(6,300,000)	–
Mr. Yan Qing	*(a)*	3,200,000	–	3,200,000
	(d)	1,500,000	–	1,500,000
		4,700,000	–	4,700,000
Mr. Ng Kong Fat, Brian	*(a)*	4,000,000	–	4,000,000
	(d)	1,500,000	–	1,500,000
		5,500,000	–	5,500,000
Independent non-executive directors:				
Dr. Jin Lizuo	*(a)*	680,000	–	680,000
Dr. Huan Guocang	*(c)*	680,000	–	680,000
Dr. Wang Jianping	*(c)*	680,000	–	680,000
Other employees:				
In aggregate	*(a)*	26,300,000	(1,000,000)	25,300,000
	(d)	900,000	–	900,000
		27,200,000	(1,000,000)	26,200,000
		68,540,000	(7,300,000)	61,240,000

* Mr. Cao Wei resigned as an executive director of the Company on 3 August 2010 and the 6,300,000 share options held by him as at 31 December 2009 were forfeited in November 2010 upon the expiry of his three-month post-resignation exercisable period.

Share Option Scheme *(continued)*

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 per share. 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 per share. 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 per share. 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 per share. 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.

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

Contract of Significance

No contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

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

At 31 December 2010, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

		Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
Name	*Notes*	**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)*	14,784,000	275,675,000	290,459,000	42.87
Beijing Enterprises Group (BVI) Company Limited ("BEBVI")	*(b)*	–	290,459,000	290,459,000	42.87
北京控股集團有限公司 ("BEGCL")	*(b)*	–	290,459,000	290,459,000	42.87

Notes:

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

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

Save as disclosed above, as at 31 December 2010, 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.

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.

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
31 March 2011

ERNST & YOUNG
安 永

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

安永會計師事務所
香港中環金融街8號
國際金融中心2期18樓
電話: +852 2846 9888
傳真: +852 2868 4432

To the shareholders of Beijing Development (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Beijing Development (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 105, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Auditors' Responsibility *(continued)*

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**211,639**	225,376
Cost of sales		**(176,752)**	(230,010)
Gross profit/(loss)		**34,887**	(4,634)
Other income and gain	5	**13,444**	8,537
Selling and distribution costs		**(9,326)**	(7,821)
Administrative expenses		**(58,325)**	(63,848)
Other expenses, net		**6,059**	(64,388)
Finance costs	6	**(6,223)**	–
Share of profits and losses of:			
Jointly-controlled entities	18(a)	**1,560**	1,033
Associates	19(a)	**(8,252)**	(16,718)
Impairment of an investment in an associate	19(d)	**–**	(18,703)
LOSS BEFORE TAX	7	**(26,176)**	(166,542)
Income tax	10	**(1,587)**	(10,312)
LOSS FOR THE YEAR		**(27,763)**	(176,854)
Attributable to:			
Shareholders of the Company	11	**(23,460)**	(158,418)
Non-controlling interests		**(4,303)**	(18,436)
		(27,763)	(176,854)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
– Basic and diluted (HK cents)	12	**(3.46)**	(23.38)

Consolidated Statement Of Comprehensive Income

Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
LOSS FOR THE YEAR	**(27,763)**	(176,854)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX OF NIL		
– Exchange differences on translation of foreign operations	**17,332**	3,904
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(10,431)**	(172,950)
Attributable to:		
Shareholders of the Company	**(8,393)**	(154,529)
Non-controlling interests	**(2,038)**	(18,421)
	(10,431)	(172,950)

Consolidated Statement Of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Equipment	13	**9,423**	10,559
Investment properties	14	**44,771**	43,764
Goodwill	15	**10,000**	10,000
Other intangible assets	16	**5,109**	5,110
Investments in jointly-controlled entities	18	**14,565**	12,562
Investments in associates	19	**21,037**	23,259
Trade receivables	23	**29,875**	23,440
Deferred tax assets	20	**1,672**	3,023
Total non-current assets		**136,452**	131,717
CURRENT ASSETS			
Inventories	21	**4,610**	7,749
Amounts due from contract customers	22	**2,742**	6,866
Trade receivables	23	**131,486**	94,585
Prepayments, deposits and other receivables	24	**29,864**	56,844
Income tax recoverable		**527**	1,627
Pledged deposits	25	**119**	4,489
Cash and cash equivalents	25	**619,590**	629,287
Total current assets		**788,938**	801,447
CURRENT LIABILITIES			
Trade and bills payables	26	**135,430**	134,618
Amounts due to contract customers	22	**8,185**	9,503
Other payables and accruals	27	**87,251**	89,300
Income tax payables		**23**	239
Total current liabilities		**230,889**	233,660
NET CURRENT ASSETS		**558,049**	567,787
TOTAL ASSETS LESS CURRENT LIABILITIES		**694,501**	699,504

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT LIABILITIES			
Trade and bills payables	*26*	**15,039**	15,544
Deferred income	*28*	**35,294**	34,091
Total non-current liabilities		**50,333**	49,635
Net assets		**644,168**	649,869
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	*29*	**677,460**	677,460
Reserves	*31(a)(i)*	**(58,232)**	(54,690)
		619,228	622,770
Non-controlling interests		**24,940**	27,099
Total equity		**644,168**	649,869

E Meng	**Wang Yong**
Director	*Director*

Year ended 31 December 2010

		Attributable to shareholders of the Company										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000 (note 31(a)(ii))	Share option reserve HK$'000 (note 31(a)(iii))	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000 (note 31(a)(iv))	Accu-mulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity 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 year		–	–	–	–	–	–	–	(158,418)	(158,418)	(18,436)	(176,854)
Other comprehensive income for the year		–	–	–	–	–	3,889	–	–	3,889	15	3,904
Total comprehensive income/(loss) for the year		–	–	–	–	–	3,889	–	(158,418)	(154,529)	(18,421)	(172,950)
Equity-settled share option arrangements	30(a)	–	–	–	8,623	–	–	–	–	8,623	–	8,623
Transfer of share option reserve upon the forfeiture of share options	30(c)	–	–	–	(3,674)	–	–	–	3,674	–	–	–
Transfer to accumulated losses		–	–	–	–	(20,474)	–	–	20,474	–	–	–
Transfer to PRC reserve funds		–	–	–	–	–	–	624	(624)	–	–	–
Share of reserves of an associate		–	–	–	–	850	–	–	–	850	–	850
Dividends paid to non-controlling equity holders		–	–	–	–	–	–	–	–	–	(99)	(99)
At 31 December 2009 and 1 January 2010		**677,460**	**170,319***	**9,721***	**71,069***	**850***	**45,705***	**41,455***	**(393,809)***	**622,770**	**27,099**	**649,869**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(23,460)**	**(23,460)**	**(4,303)**	**(27,763)**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**15,067**	**-**	**-**	**15,067**	**2,265**	**17,332**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**-**	**15,067**	**-**	**(23,460)**	**(8,393)**	**(2,038)**	**(10,431)**
Acquisition of the non-controlling interest of a subsidiary		**-**	**-**	**-**	**-**	**121**	**-**	**-**	**-**	**121**	**(121)**	**-**
Transfer of share option reserve upon the forfeiture of share options	30(c)	**-**	**-**	**-**	**(7,055)**	**-**	**-**	**-**	**7,055**	**-**	**-**	**-**
Transfer to PRC reserve funds		**-**	**-**	**-**	**-**	**-**	**-**	**262**	**(262)**	**-**	**-**	**-**
Share of reserves of an associate		**-**	**-**	**-**	**-**	**4,730**	**-**	**-**	**-**	**4,730**	**-**	**4,730**
At 31 December 2010		**677,460**	**170,319***	**9,721***	**64,014***	**5,701***	**60,772***	**41,717***	**(410,476)***	**619,228**	**24,940**	**644,168**

* These reserve accounts comprise the negative consolidated reserves of HK$58,232,000 (2009: HK$54,690,000) in the consolidated statement of financial position.

Consolidated Statement Of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(26,176)**	(166,542)
Adjustments for:			
Share of profits and losses of jointly-controlled entities	*18(a)*	**(1,560)**	(1,033)
Share of profits and losses of associates	*19(a)*	**8,252**	16,718
Bank interest income	*5*	**(6,152)**	(5,524)
Imputed interest on interest-free trade receivables with extended credit periods	*5*	**(1,446)**	(2,381)
Imputed interest on interest-free trade payables with extended credit periods	*6*	**6,223**	–
Fair value loss/(gain) on investment properties	*7*	**538**	(34)
Provision against inventories, net	*7*	**1,286**	1,106
Loss on disposal of items of equipment, net	*7*	**59**	37
Depreciation	*7*	**2,815**	3,345
Amortisation of other intangible assets	*7*	**2,656**	2,411
Impairment of goodwill	*7*	**–**	58,625
Impairment of an investment in an associate	*19(a)*	**–**	18,703
Impairment of amount due from an associate	*7*	**30**	30
Impairment/(reversal of impairment) of trade receivables, net	*7*	**(6,687)**	5,697
Equity-settled share option expense	*7*	**–**	8,623
		(20,162)	(60,219)
Decrease in inventories		**2,126**	20,809
Decrease in amounts due from contract customers		**4,366**	25,726
Increase in trade receivables		**(31,037)**	(4,732)
Decrease in prepayments, deposits and other receivables		**28,975**	9,726
Increase/(decrease) in trade and bills payables		**(11,216)**	3,947
Decrease in amounts due to contract customers		**(1,653)**	(1,351)
Increase/(decrease) in other payables and accruals		**(4,669)**	15,492
Cash generated from/(used in) operations		**(33,270)**	9,398
Interest received		**6,152**	5,524
Mainland China corporate income tax refunded/(paid)		**804**	(1,592)
Dividends paid to non-controlling equity holders		**–**	(99)
Net cash flows from/(used in) operating activities		**(26,314)**	13,231

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of equipment	13	**(1,447)**	(3,210)
Proceeds from disposal of items of equipment		**81**	559
Purchases of other intangible assets	16	**(2,475)**	(643)
Decrease in amount due from a jointly-controlled entity		**–**	2,313
Increase in amount due from an associate		**(30)**	(30)
Proceeds from disposal of an available-for-sale investment		**–**	3,977
Increase in time deposits with maturity of more than three months when acquired		**(63,496)**	(31,819)
Decrease in pledged deposits		**4,528**	568
Net cash flows used in investing activities		**(62,839)**	(28,285)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(89,153)**	(15,054)
Cash and cash equivalents at beginning of year		**471,332**	486,278
Effect of foreign exchange rate changes, net		**10,385**	108
CASH AND CASH EQUIVALENTS AT END OF YEAR		**392,564**	471,332
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	25	**236,800**	406,731
Time deposits	25	**382,909**	227,045
Less: Pledged deposits	25	**(119)**	(4,489)
Cash and cash equivalents as stated in the consolidated statement of financial position		**619,590**	629,287
Less: Time deposits with maturity of more than three months when acquired		**(227,026)**	(157,955)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**392,564**	471,332

Statement Of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Equipment	13	**711**	221
Other intangible assets	16	**1,844**	–
Investments in subsidiaries	17	**214,987**	216,086
Total non-current assets		**217,542**	216,307
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	**33,191**	26,916
Cash and cash equivalents	25	**389,539**	395,467
Total current assets		**422,730**	422,383
CURRENT LIABILITIES			
Other payables and accruals	27	**8,837**	7,894
NET CURRENT ASSETS		**413,893**	414,489
Net assets		**631,435**	630,796
EQUITY			
Issued capital	29	**677,460**	677,460
Reserves	31(b)	**(46,025)**	(46,664)
Total equity		**631,435**	630,796

E Meng
Director

Wang Yong
Director

1. Corporate Information

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

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

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 investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

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

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 Changes in Accounting Policy and Disclosures

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and amendments to HKAS 7 included in *Improvements to HKFRS 2009*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes 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 standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited 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 changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. The key amendment most applicable to the Group is that HKAS 7 *Statement of Cash Flows* requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

2.3 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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards *(continued)*

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

(b) HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards *(continued)*

(c) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

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

  In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

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

- HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

- HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 investments 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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

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 investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any 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 from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

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 investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any 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 from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

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).

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations and goodwill *(continued)*

Business combinations from 1 January 2010 (continued)

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.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group has a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.4 Summary of Significant Accounting Policies *(continued)*

Equipment and depreciation

Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of 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 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

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

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

An item of equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the 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 end of the reporting period.

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 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, net of any incentives received from the lessor, are charged to the income statement on the straight-line basis over the lease terms.

Intangible assets (other than goodwill)

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

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

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

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of non-financial assets *(continued)*

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 "Other expenses, net" in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is 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 periods. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale investments as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

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.

The Group's financial assets include cash and bank balances, and trade and other receivables.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Loans and receivables

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

(b) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in "Other expenses, net" and removed from the available-for-sale investment valuation reserve. Dividends earned are reported as investment income and are recognised in the income statement as "Other income and gain" in accordance with the policies set out for "Revenue recognition" below.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

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 when:

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 are all classified as loans and borrowings, which are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement

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

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

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.

Inventories

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

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and 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 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 the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

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

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

(f) 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.

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's 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 equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

2.4 Summary of Significant Accounting Policies *(continued)*

Employee benefits *(continued)*

Share-based payment transactions (continued)

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

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

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 benefit 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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. All other borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates 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 end of the reporting period. 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 end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of exchange fluctuation reserve relating to that particular foreign operation is recognised in the income statement.

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

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. 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.

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

Useful lives and residual values of equipment and intangible assets (other than goodwill)

The Group's management determines the useful lives, residual values and related depreciation/amortisation charges for the Group's equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charges where useful lives or residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable lives and therefore depreciation/amortisation in the future periods. The carrying amounts of equipment and intangible assets (other than goodwill) as at 31 December 2010 were HK$9,423,000 (2009: HK$10,559,000) and HK$5,109,000 (2009: HK$5,110,000), respectively. Further details are given in notes 13 and 16 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 as at 31 December 2010 was HK$10,000,000 (2009: HK$10,000,000). Further details are given in note 15 to the financial statements.

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

Impairment of equipment and intangible assets (other than goodwill)

The carrying amounts of items of 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 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.

Provision against obsolete and slow-moving inventories

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

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed. The carrying amount of inventories as at 31 December 2010 was HK$4,610,000 (2009: HK$7,749,000). Further details are given in note 21 to the financial statements.

Provision for impairment of trade receivables and other receivables

The policy for provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade receivables and other receivables as at 31 December 2010 were HK$161,361,000 (2009: HK$118,025,000) and HK$29,313,000 (2009: HK$55,948,000), respectively. Further details are given in notes 23 and 24 to the financial statements.

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

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.

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 are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets as at 31 December 2010 was HK$1,672,000 (2009: HK$3,023,000). Further details are contained in note 20 to the financial statements.

4. Operating Segment Information

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

An analysis of the Group's revenues from external customers for each group of similar products and services is disclosed in note 5 to the financial statements.

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

During the year, the Group had transactions with a single external customer which contributed over 10% of the Group's total revenue (2009: one). The revenue generated from sales to this customer for the year amounted to HK$56,230,000 (2009: HK$112,952,000).

5. Revenue, Other Income and Gain

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 aggregate of the 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 received and receivable from investment properties during the year.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Revenue		
Construction contracts	**97,600**	132,452
Sale of software	**87,257**	62,496
Rendering of services	**26,438**	28,659
Gross rental income	**344**	1,769
	211,639	225,376
Other income		
Bank interest income	**6,152**	5,524
Imputed interest on interest-free trade receivables with extended credit periods	**1,446**	2,381
Investment income	**–**	407
Others	**5,846**	191
	13,444	8,503
Gain		
Fair value gain on investment properties *(note 14)*	**–**	34
Other income and gain	**13,444**	8,537

6. Finance Costs

Finance costs of the Group for the year ended 31 December 2010 represented imputed interest on interest-free trade payables with extended credit periods (2009: Nil).

7. Loss Before Tax

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

		Group	
	Notes	**2010** **HK$'000**	2009 HK$'000
Cost of inventories sold		**146,701**	204,560
Cost of services provided		**26,109**	21,933
Provision against inventories, net		**1,286**	1,106
Depreciation	*13*	**2,815**	3,345
Minimum lease payments under operating leases of land and buildings		**6,500**	7,177
Amortisation of other intangible assets[@]	*16*	**2,656**	2,411
Fair value loss/(gain) on investment properties	*14*	**538**	(34)
Impairment of goodwill[#]	*15*	**–**	58,625
Impairment of an amount due from an associate	*19(e)*	**30**	30
Impairment/(reversal of impairment) of trade receivables, net	*23(b)*	**(6,687)**	5,697
Loss on disposal of items of equipment, net		**59**	37
Auditors' remuneration:			
Current year's provision		**2,200**	2,340
Prior year's overprovision		**–**	(20)
		2,200	2,320
Employee benefit expense (including directors' remuneration – *note 8*):			
Wages and salaries		**31,853**	33,096
Equity-settled share option expense	*30(a)*	**–**	8,623
Pension scheme contributions		**1,423**	1,470
		33,276	43,189
Rental income on investment properties		**(344)**	(1,769)
Less: Direct operating expenses		**1,270**	1,698
		926	(71)
Foreign exchange differences, net		**1,390**	89

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

The impairment of goodwill, which is included in "Other expenses, net" in the consolidated income statement for the year ended 31 December 2009, was an impairment provision against the goodwill arising on the acquisition of a subsidiary.

8. Directors' Remuneration

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

	Group	
	2010	2009
	HK$'000	HK$'000
Fees	**952**	960
Other emoluments:		
Salaries, allowances and benefits in kind	**1,509**	1,745
Equity-settled share option expense	**–**	4,624
Pension scheme contributions	**157**	198
	1,666	6,567
	2,618	7,527

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company. The fair values of such options, which have been recognised in the income statement over the vesting period, was determined as at the respective dates of grant and the amounts included in the financial statements for the year ended 31 December 2009 were included in the above directors' remuneration disclosures.

8. Directors' Remuneration *(continued)*

An analysis of directors' remuneration, on a named basis, for the year is as follows:

Group

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010					
Executive directors					
Mr. E Meng	100	–	–	–	100
Mr. Zhang Honghai	100	–	–	–	100
Mr. Wang Yong	100	659	–	72	831
Mr. Cao Wei *	59	422	–	41	522
Mr. Yan Qing	100	428	–	43	571
Ms. Sha Ning #	33	–	–	–	33
Mr. Ng Kong Fat, Brian	100	–	–	1	101
	592	1,509	–	157	2,258
Independent non-executive directors					
Dr. Jin Lizuo	120	–	–	–	120
Dr. Huan Guocang	120	–	–	–	120
Dr. Wang Jianping	120	–	–	–	120
	360	–	–	–	360
Total	952	1,509	–	157	2,618

* Mr. Cao Wei resigned as an executive director of the Company on 3 August 2010.

\# Ms. Sha Ning was appointed an executive director of the Company on 31 August 2010.

8. Directors' Remuneration *(continued)*

Group *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009					
Executive directors					
Mr. E Meng	100	–	684	–	784
Mr. Zhang Honghai	100	–	1,034	–	1,134
Mr. Wang Yong	100	561	912	65	1,638
Mr. Cao Wei	100	592	608	66	1,366
Mr. Yan Qing	100	592	487	66	1,245
Mr. Ng Kong Fat, Brian	100	–	608	1	709
	600	1,745	4,333	198	6,876
Independent non-executive directors					
Dr. Jin Lizuo	120	–	103	–	223
Dr. Huan Guocang	120	–	94	–	214
Dr. Wang Jianping	120	–	94	–	214
	360	–	291	–	651
Total	960	1,745	4,624	198	7,527

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

9. Five Highest Paid Employees

The five highest paid employees during the year included two (2009: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2009: one) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,126**	1,078
Equity-settled share option expense	**–**	775
Pension scheme contributions	**139**	12
	2,265	1,865

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

	Group	
	2010	2009
Nil – HK$1,000,000	**2**	–
HK$1,000,001 – HK$1,500,000	**1**	1
	3	1

In prior years, share options were granted to the non-director, highest paid employee for the year ended 31 December 2009 in respect of his services to the Group. The fair values of such options, which have been recognised in the income statement over the vesting period, were determined as at the respective dates of grant and the amounts included in the financial statements for the year ended 31 December 2009 is included in the above non-director, highest paid employee's remuneration disclosures.

10. Income Tax

No provision for Hong Kong profits tax has been made for the year ended 31 December 2010 as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2010	2009
	HK$'000	HK$'000
Current – Elsewhere		
Charge for the year	**62**	1,048
Underprovision in prior years	**68**	76
Deferred *(note 20)*	**1,457**	9,188
Total tax charge for the year	**1,587**	10,312

10. Income Tax *(continued)*

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

	Hong Kong		Mainland China		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
2010								
Loss before tax	(19,241)		(6,917)		(18)		(26,176)	
Tax at the statutory tax rate	(3,175)	16.5	(1,729)	25.0	(3)	18.0	(4,907)	18.7
Profits and losses attributable to jointly-controlled entities	–	–	(390)	5.6	–	–	(390)	1.5
Profits and losses attributable to associates	1,372	(7.1)	(17)	0.2	–	–	1,355	(5.2)
Income not subject to tax	(89)	0.4	(206)	3.0	–	–	(295)	1.1
Expenses not deductible for tax	2,754	(14.3)	1,666	(24.0)	3	(18.0)	4,423	(16.9)
Tax losses utilised from previous period	(883)	4.6	(201)	2.9	–	–	(1,084)	4.2
Tax losses not recognised	21	(0.1)	2,464	(35.6)	–	–	2,485	(9.5)
Tax charge at the Group's effective rate	–	–	1,587	(22.9)	–	–	1,587	(6.1)
2009								
Loss before tax	(115,912)		(50,603)		(27)		(166,542)	
Tax at the statutory tax rate	(19,124)	16.5	(12,652)	25.0	(5)	18.0	(31,781)	19.1
Lower tax rate for specific provinces or enacted local authority	–	–	(304)	0.6	–	–	(304)	0.2
Profits and losses attributable to jointly-controlled entities	–	–	(258)	0.5	–	–	(258)	0.2
Profits and losses attributable to associates	–	–	(8)	–	–	–	(8)	–
Income not subject to tax	(17)	–	(59)	0.1	–	–	(76)	–
Expenses not deductible for tax	17,266	(14.9)	173	(0.3)	5	(18.0)	17,444	(10.5)
Tax losses not recognised	1,875	(1.6)	23,420	(46.3)	–	–	25,295	(15.2)
Tax charge at the Group's effective rate	–	–	10,312	(20.4)	–	–	10,312	(6.2)

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

The consolidated loss attributable to shareholders of the Company for the year ended 31 December 2010 includes a profit of HK$617,000 (2009: a loss of HK$20,643,000) which has been dealt with in the financial statements of the Company.

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

	Notes	**2010** **HK$'000**	2009 HK$'000
Amount of consolidated loss for the year attributable to shareholders of the Company dealt with in the financial statements of the Company		**617**	(20,643)
Impairment of investment in a subsidiary recognised during the year in the income statement	*17(b)*	**–**	(27,187)
Reversal of impairment/(impairment) of amount due from subsidiaries recognised during the year in the income statement	*17(c)*	**22**	(89,402)
The Company's profit/(loss) for the year	*31(b)*	**639**	(137,232)

12. Loss per Share Attributable to Shareholders of the Company

The calculation of the basic loss per share amounts is based on the loss for the year attributable to shareholders of the Company and the weighted average of 677,460,150 (2009: 677,460,150) ordinary shares in issue during the year.

In respect of the diluted loss per share amounts, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2010 and 2009 as (i) the share options of the Company outstanding during these years have an anti-dilutive effect on the respective basic loss per share amounts for these years; and (ii) the deemed exercise of the outstanding share options and the deemed conversion of the convertible bonds issued by CITD (if applicable) do not have a diluting effect on the respective basic loss per share amounts for these years.

13. Equipment

Group

	Leasehold improvements HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2010				
At 31 December 2009 and 1 January 2010:				
Cost	**2,742**	**24,931**	**7,014**	**34,687**
Accumulated depreciation	**(2,531)**	**(17,751)**	**(3,846)**	**(24,128)**
Net carrying amount	**211**	**7,180**	**3,168**	**10,559**
Net carrying amount:				
At 1 January 2010	**211**	**7,180**	**3,168**	**10,559**
Additions	**2**	**948**	**497**	**1,447**
Depreciation provided during the year	**(142)**	**(1,658)**	**(1,015)**	**(2,815)**
Disposals	**(2)**	**(72)**	**(66)**	**(140)**
Exchange realignment	**9**	**252**	**111**	**372**
At 31 December 2010	**78**	**6,650**	**2,695**	**9,423**
At 31 December 2010:				
Cost	**2,482**	**25,212**	**7,092**	**34,786**
Accumulated depreciation	**(2,404)**	**(18,562)**	**(4,397)**	**(25,363)**
Net carrying amount	**78**	**6,650**	**2,695**	**9,423**
Year ended 31 December 2009				
At 1 January 2009:				
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
Net carrying amount:				
At 1 January 2009	942	6,858	3,490	11,290
Additions	–	2,336	874	3,210
Depreciation provided during the year	(731)	(1,574)	(1,040)	(3,345)
Disposals	–	(440)	(156)	(596)
At 31 December 2009	211	7,180	3,168	10,559

13. Equipment *(continued)*

Company

	Leasehold improve-ments HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2010				
At 31 December 2009 and 1 January 2010:				
Cost	**344**	**522**	**161**	**1,027**
Accumulated depreciation	**(344)**	**(369)**	**(93)**	**(806)**
Net carrying amount	**–**	**153**	**68**	**221**
Net carrying amount:				
At 1 January 2010	**–**	**153**	**68**	**221**
Additions	**2**	**88**	**497**	**587**
Depreciation provided during the year	**–**	**(68)**	**(30)**	**(98)**
Disposals	**(2)**	**(3)**	**–**	**(5)**
Exchange realignment	**–**	**4**	**2**	**6**
At 31 December 2010	**–**	**174**	**537**	**711**
At 31 December 2010:				
Cost	**–**	**379**	**1,199**	**1,578**
Accumulated depreciation	**–**	**(205)**	**(662)**	**(867)**
Net carrying amount	**–**	**174**	**537**	**711**
Year ended 31 December 2009				
At 1 January 2009:				
Cost	344	469	161	974
Accumulated depreciation	(324)	(312)	(86)	(722)
Net carrying amount	20	157	75	252
Net carrying amount:				
At 1 January 2009	20	157	75	252
Additions	–	53	–	53
Depreciation provided during the year	(20)	(57)	(7)	(84)
At 31 December 2009	–	153	68	221

14. Investment Properties

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**43,764**	43,730
Fair value gain/(loss) on revaluation	**(538)**	34
Exchange realignment	**1,545**	–
Carrying amount at 31 December	**44,771**	43,764

The Group's investment properties are situated in Mainland China and are held under medium term leases. As the investment properties are situated in a location under a proposed redevelopment plan of the Beijing Municipal Government, the investment properties may be subject to demolishment in the near future. At 31 December 2010, the investment properties were revalued by 北京中立華資產評估有限責任公司, independent professionally qualified valuers registered in the PRC, in accordance with the relevant rules and regulations applicable to the demolishment.

During the current and prior years, the investment properties were leased to third parties under operating leases (note 33(a)). The investment properties are vacant as at 31 December 2010.

15. Goodwill

The amount of the goodwill capitalised as an asset in the consolidated statement of financial position, arising on the acquisition of a subsidiary, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January:		
Cost	**103,970**	103,970
Accumulated impairment	**(93,970)**	(35,345)
Net carrying amount	**10,000**	68,625
Net carrying amount:		
At 1 January	**10,000**	68,625
Impairment during the year recognised in the income statement	**–**	(58,625)
At 31 December	**10,000**	10,000
At 31 December:		
Cost	**103,970**	103,970
Accumulated impairment	**(93,970)**	(93,970)
Net carrying amount	**10,000**	10,000

The Group's goodwill as at 31 December 2010 and 2009 arose from the acquisition of Beijing Enterprises Teletron Information Technology Co., Ltd. ("BETIT"), a 72% owned subsidiary of the Group, which was defined as a single cash-generating unit.

The recoverable amount of the cash-generating unit as at 31 December 2010 has been determined by reference to a business valuation performed by the directors of the Company, 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 15% (2009: 14%), which is before tax and reflects specific risk relating to the cash-generating unit. Budgeted gross margins are based on both the historical gross margin of the IT industry and the expected market growth rate of 8% (2009: 10%). The values assigned to the key assumptions are consistent with external information sources.

An impairment provision of HK$58,625,000 was recognised in the consolidated income statement for the year ended 31 December 2009 with respect to the goodwill attributable to the cash-generating unit, as the senior management of the Group was of the opinion that the recoverable amount of the relevant business unit was less than its respective carrying amount with reference to the business valuation.

31 December 2010

16. Other Intangible Assets

Group

	Management information systems HK$'000	Licences HK$'000	Computer software HK$'000	Golf club membership HK$'000	Total HK$'000
Year ended 31 December 2010					
At 31 December 2009 and 1 January 2010:					
Cost	**22,727**	**2,273**	**1,122**	**–**	**26,122**
Accumulated amortisation	**(18,560)**	**(2,273)**	**(179)**	**–**	**(21,012)**
Net carrying amount	**4,167**	**–**	**943**	**–**	**5,110**
Net carrying amount:					
At 1 January 2010	**4,167**	**–**	**943**	**–**	**5,110**
Additions	**–**	**–**	**600**	**1,875**	**2,475**
Amortisation provided during the year	**(2,353)**	**–**	**(272)**	**(31)**	**(2,656)**
Exchange realignment	**147**	**–**	**33**	**–**	**180**
At 31 December 2010	**1,961**	**–**	**1,304**	**1,844**	**5,109**
At 31 December 2010:					
Cost	**23,530**	**2,353**	**1,761**	**1,875**	**29,519**
Accumulated amortisation	**(21,569)**	**(2,353)**	**(457)**	**(31)**	**(24,410)**
Net carrying amount	**1,961**	**–**	**1,304**	**1,844**	**5,109**
Year ended 31 December 2009					
At 1 January 2009:					
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
Net carrying amount:					
At 1 January 2009	6,439	–	439	–	6,878
Additions	–	–	643	–	643
Amortisation provided during the year	(2,272)	–	(139)	–	(2,411)
At 31 December 2009	4,167	–	943	–	5,110

16. Other Intangible Assets *(continued)*

Company

	Golf club membership 2010 HK$'000	2009 HK$'000
At 1 January:		
Cost and net carrying amount	**–**	–
Net carrying amount:		
At 1 January	**–**	–
Additions	**1,875**	–
Amortisation provided during the year	**(31)**	–
At 31 December	**1,844**	–
At 31 December:		
Cost	**1,875**	–
Accumulated amortisation	**(31)**	–
Net carrying amount	**1,844**	–

31 December 2010

17. Investments in Subsidiaries

	Notes	Company 2010 HK$'000	2009 HK$'000
Unlisted shares or investments, at cost		**235,413**	235,413
Due from subsidiaries	*(a)*	**416,970**	418,091
		652,383	653,504
Accumulated impairment of unlisted shares or investments	*(b)*	**(51,599)**	(51,599)
Accumulated impairment of amounts due from subsidiaries	*(c)*	**(385,797)**	(385,819)
		(437,396)	(437,418)
		214,987	216,086

Notes:

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

(b) Included in the impairment recognised in the income statement of the Company during the year ended 31 December 2009 was an amount of HK$27,187,000 made against the Company's investment in BE Information Technology Group Limited, which holds a 72% equity interest in BETIT.

17. Investments in Subsidiaries *(continued)*

Notes: (continued)

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

	Company	
	2010	2009
	HK$'000	HK$'000
At 1 January	**385,819**	296,417
Impairment/(reversal of impairment) during the year recognised in the income statement *(Note 11)*	**(22)**	89,402
At 31 December	**385,797**	385,819

Included in the impairment recognised in the Company's separate income statement for the year ended 31 December 2009 were:

(i) an aggregate amount of HK$30,809,000 made against the Company's amounts of HK$177,908,000 in aggregate due from Prime Technology Group Limited and E-tron Limited which hold a total of a 29.18% equity interest in CITD, an associate of the Group listed on the Growth Enterprise Market of the Stock Exchange. Further details about CITD and the impairment assessment are set out in note 19(a) to the financial statements; and

(ii) an aggregate amount of HK$58,593,000 made against the Company's amounts due from certain other subsidiaries.

17. Investments in Subsidiaries *(continued)*

Notes: (continued)

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

Company 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	Group	Principal activities
Beijing Enterprises Teletron Information Technology Co., Ltd.#	PRC/ Mainland China	RMB100,000,000	–	72	System integration and provision of IT technical support and consultation services
Beijing Enterprises Jetrich (Beijing) Limited #	PRC/ Mainland China	US$2,450,000	–	72	Provision of total education solutions
Beijing Development Property Investment and Management Co., Ltd.*	PRC/ Mainland China	US$4,000,000	–	85.5	Property investment
北京捷通瑞奇信息技術有限公司Ω	PRC/ Mainland China	RMB5,000,000	–	63	System integration and provision of IT technical support services
北控軟件有限公司Ω	PRC/ Mainland China	RMB50,000,000	–	68.4	Provision of management information system services
Beijing Enterprises UniCard Co., Ltd. Ω	PRC/ Mainland China	HK$50,000,000	–	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

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

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

18. Investments in Jointly-controlled Entities

		Group	
	Notes	**2010** **HK$'000**	2009 HK$'000
Share of net assets	*(a)*	**13,153**	12,562
Due from a jointly-controlled entity	*(b)*	**1,412**	–
		14,565	12,562

Notes:

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

	Group	
	2010 **HK$'000**	2009 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**75,367**	81,855
Current assets	**1,244,805**	506,753
Current liabilities	**(1,347,826)**	(614,671)
Non-controlling interests	**(841)**	(868)
Losses in excess of investment cost not absorbed by the Group	**41,648**	39,493
Net assets	**13,153**	12,562
Share of the jointly-controlled entities' results:		
Revenue	**58,719**	53,681
Other income	**68,257**	68,199
Total revenue	**126,976**	121,880
Total expenses	**(126,090)**	(131,552)
Income tax	**(174)**	(174)
Non-controlling interests	**59**	184
Profit/(loss) for the year	**771**	(9,662)
Loss in excess of investment cost not absorbed by the Group	**789**	10,695
Profit for the year shared by the Group	**1,560**	1,033

18. Investments 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.

(c) Goodwill included in the investments in jointly-controlled entities of the Group amounting to HK$23,067,000, which arose from the acquisition of 北京市政交通一卡通有限公司 ("BMAC"), was fully impaired in prior years.

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

Company 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

19. Investments in Associates

	Notes	Group 2010 HK$'000	Group 2009 HK$'000
Share of net assets	*(a)*	**21,037**	23,259
Due from an associate	*(b)*	**15,703**	15,673
		36,740	38,932
Impairment of the amount due from an associate	*(e)*	**(15,703)**	(15,673)
		21,037	23,259

19. Investments in Associates *(continued)*

Notes:

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

	Group	
	2010	2009
	HK$'000	HK$'000
Share of the associates' assets and liabilities:		
Non-current assets	**10,294**	11,154
Current assets	**71,161**	68,239
Current liabilities	**(31,888)**	(28,549)
Non-current liabilities	**(23,422)**	(23,433)
Non-controlling interests	**(5,108)**	(4,152)
Net assets	**21,037**	23,259
Share of the associates' results:		
Revenue	**53,016**	41,236
Loss for the year	**(8,252)**	(16,718)
Impairment of an investment in an associate*	**–**	(18,703)

* The impairment of an investment in an associate recognised in the consolidated income statement for the year ended 31 December 2009 was made against the Group's investment in CITD (an associate held as to 29.18% by the Group and listed on the Growth Enterprise Market of the Stock Exchange), as further detailed in note 19(b) to the financial statements of the Company for the year ended 31 December 2009, which were approved and authorised for issue by the board of directors on 31 March 2010.

(b) The balance with the associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, the advance is considered as a quasi-equity loan to the associate. The Group's trade payable balance with associates is disclosed in note 26 to the financial statements.

(c) Goodwill included in the investments in associates of the Group amounting to HK$17,983,000, which arose from the acquisition of CITD and its subsidiaries, was fully impaired in prior years.

19. Investments in Associates *(continued)*

Notes: (continued)

(d) The movements in provision for impairment of an associate during the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**–**	310,459
Impairment during the year recognised in the income statement *(note (a))*	**–**	18,703
Reclassification to share of net assets	**–**	(329,162)
At 31 December	**–**	–

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**15,673**	15,643
Impairment during the year recognised in the income statement *(note 7)*	**30**	30
At 31 December	**15,703**	15,673

19. Investments in Associates *(continued)*

Notes: (continued)

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

Company 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/ Mainland China	25	Provision for system integration services

* Shares of CITD are listed on the Growth Enterprise Market of the Stock Exchange. The fair value of the ordinary shares of CITD held by the Group as at 31 December 2010 cannot be reasonably determined as the trading of the shares of CITD has been suspended since 29 January 2009.

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.

20. Deferred Tax Assets

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

Group

	Decelerated/ (accelerated) tax depreciation HK$'000	Impairment of trade receivables HK$'000	Impairment of other receivables HK$'000	Impairment of investments in associates HK$'000	Impairment of inventories HK$'000	Fair value adjustments of trade payables HK$'000	Tax loss HK$'000	Total HK$'000
At 1 January 2009	93	3,310	835	819	256	–	6,898	12,211
Deferred tax charged to the income statement during the year *(note 10)*	(80)	(2,174)	(721)	(707)	(256)	(398)	(4,852)	(9,188)
At 31 December 2009 and 1 January 2010	**13**	**1,136**	**114**	**112**	**–**	**(398)**	**2,046**	**3,023**
Deferred tax charged to the income statement during the year *(note 10)*	**7**	**(324)**	**(13)**	**(116)**	**–**	**229**	**(1,240)**	**(1,457)**
Exchange realignment	**–**	**40**	**4**	**4**	**–**	**(14)**	**72**	**106**
At 31 December 2010	**20**	**852**	**105**	**–**	**–**	**(183)**	**878**	**1,672**

At 31 December 2010, the Group had tax losses arising in Hong Kong of approximately HK$136,217,000 (2009: HK$139,993,000) in aggregate that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK$29,146,000 (2009: HK$22,502,000) as at 31 December 2010 that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in 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.

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

20. Deferred Tax Assets *(continued)*

At 31 December 2010, 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 (2009: Nil). 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$454,000 (2009: HK$507,000) as at 31 December 2010.

21. Inventories

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

22. Amounts Due from/to Contract Customers

	Group	
	2010	2009
	HK$'000	HK$'000
Amounts due from contract customers	**2,742**	6,866
Amounts due to contract customers	**(8,185)**	(9,503)
	(5,443)	(2,637)
Contract costs incurred plus recognised profits less recognised losses to date	**4,351**	9,018
Less: Progress billings	**(9,794)**	(11,655)
	(5,443)	(2,637)

At 31 December 2010, retentions held by customers for contract work included in trade receivables amounted to HK$29,875,000 (2009: HK$23,440,000).

23. Trade Receivables

		Group	
		2010	2009
	Notes	**HK$'000**	HK$'000
Trade receivables due from:			
Third parties		**180,053**	143,048
A jointly-controlled entity	*(a)*	**–**	3
		180,053	143,051
Impairment	*(b)*	**(18,692)**	(25,026)
	(c)	**161,361**	118,025
Portion classified as current assets		**(131,486)**	(94,585)
Non-current portion		**29,875**	23,440

Notes:

(a) The balance with the jointly-controlled entity was unsecured, interest-free and had no fixed terms of repayment.

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**25,026**	22,578
Impairment/(reversal of impairment) during the year recognised in the income statement, net *(note 7)*	**(6,687)**	5,697
Amount written off as uncollectible	**(530)**	(3,249)
Exchange realignment	**883**	–
At 31 December	**18,692**	25,026

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

23. Trade Receivables *(continued)*

Notes: (continued)

(c) 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 an instalment period extended up to six years for major customers. An aged analysis of the trade receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade receivables are non-interest-bearing.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**29,875**	23,440
Past due but not impaired:		
Current or within 3 months	**126,593**	92,849
4 to 6 months	**2,549**	534
7 to 12 months	**1,645**	665
Over 1 year	**699**	537
	131,486	94,585
	161,361	118,025

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.

24. Prepayments, Deposits and Other Receivables

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Prepayments		**551**	896	**21**	32
Deposits and other receivables		**29,962**	53,833	**250**	294
Loan to a subsidiary	*(a)*	**–**	–	**7,059**	6,818
Due from subsidiaries	*(a)*	**–**	–	**24,096**	17,644
Due from jointly-controlled entities	*(a)*	**1,045**	6,251	**–**	2,927
Due from associates	*(a)*	**–**	427	**–**	423
Due from non-controlling equity holders	*(a)*	**3,644**	3,302	**1,765**	1,705
		35,202	64,709	**33,191**	29,843
Impairment	*(b)*	**(5,338)**	(7,865)	**–**	(2,927)
		29,864	56,844	**33,191**	26,916

Notes:

(a) The balances with the subsidiaries, the jointly-controlled entities, the associates and the non-controlling equity holders are unsecured, interest-free and have no fixed terms of repayment.

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**7,865**	7,865	**2,927**	2,927
Amount written off as uncollectible	**(3,030)**	–	**(3,030)**	–
Exchange realignment	**503**	–	**103**	–
At 31 December	**5,338**	7,865	**–**	2,927

25. Pledged Deposits and Cash and Cash Equivalents

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances other than time deposits	*(a)*	**236,800**	406,731	**101,368**	287,512
Time deposits	*(a)*	**382,909**	227,045	**288,171**	107,955
Less: Pledged deposits	*(b)*	**(119)**	(4,489)	**–**	–
Cash and cash equivalents		**619,590**	629,287	**389,539**	395,467

Notes:

(a) At 31 December 2010, the total cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$394,642,000 (2009: HK$397,338,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

(b) The Group's pledged deposits as at 31 December 2010 and 2009 served as tender deposits to secure certain construction contracts of the Group.

26. Trade and Bills Payables

The trade and bills payables are non-interest-bearing and normally settled within 30 to 90 days, with credit periods extended up to six years offered by major suppliers.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within 3 months	**41,291**	7,374
4 to 6 months	**362**	315
7 to 12 months	**284**	570
Over 1 year	**7,406**	9,471
Balances with extended credit periods	**101,126**	132,432
	150,469	150,162
Portion classified as current liabilities	**(135,430)**	(134,618)
Non-current portion	**15,039**	15,544
Comprising amounts payable to:		
Third parties	**144,584**	140,601
Associates	**5,885**	9,561
	150,469	150,162

27. Other Payables and Accruals

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**49,806**	56,195	**855**	813
Accruals	**10,098**	6,882	**2,592**	2,891
Temporary receipts	**3,652**	2,406	**3,652**	2,406
Due to a subsidiary	**–**	–	**1,738**	1,781
Due to a jointly-controlled entity	**12**	12	**–**	–
Due to associates	**23,683**	23,805	**–**	3
	87,251	89,300	**8,837**	7,894

The balances with the subsidiary, the jointly-controlled entity and the associates 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.

28. Deferred Income

Deferred income of the Group as at 31 December 2010 and 2009 represented subsidies received in prior years 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.

29. Share Capital

Shares

	2010 HK$'000	2009 HK$'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 ordinary shares of HK$1 each	**677,460**	677,460

Share options

Details of the Company's share option scheme (the "Scheme") and the share options issued under the Scheme are included in note 30 to the financial statements.

30. 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 ordinary shares of the Company in issue at any time. Any further grant of share options in excess of these limits is subject to shareholders' approval in a general meeting.

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

30. Share Option Scheme *(continued)*

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 lapse when expire or the grantee ceases 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.

The following table sets out the movements in the share options granted under the Scheme during the years ended 31 December 2010 and 2009:

		2010		2009	
	Notes	**Weighted average exercise price (HK$ per share)**	**Number of share options**	**Weighted average exercise price (HK$ per share)**	**Number of share options**
At 1 January		**3.70**	**68,540,000**	3.64	73,590,000
Forfeited during the year	*(c)*	**3.41**	**(7,300,000)**	2.94	(5,050,000)
At 31 December	*(d)*	**3.74**	**61,240,000**	3.70	68,540,000

30. Share Option Scheme *(continued)*

Notes:

(a) No share option was granted during the years ended 31 December 2010 and 2009. An equity-settled share option expense of HK$8,623,000 was recognised in the income statement during the year ended 31 December 2009 in respect of the share options granted before 1 January 2009.

(b) No share option was exercised during the years ended 31 December 2010 and 2009.

(c) 7,300,000 (2009: 5,050,000) share options were forfeited during the year upon the expiry of the three-month post-resignation exercisable period of a director and an employee (2009: a director). Accordingly, the portion of share option reserves of HK$7,055,000 (2009: HK$3,674,000) that is attributable to these share options was transferred to accumulated losses.

(d) At 31 December 2010, the Company had 61,240,000 (2009: 68,540,000) share options outstanding under the Scheme, which represented approximately 9.0% (2009: 10.1%) 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 end of the reporting period are as follows:

		Number of share options outstanding	
Exercise period	**Exercise price HK$ per share**	**2010**	2009
30 October 2007 – 17 June 2011	4.03	**50,480,000**	55,480,000
1 May 2008 – 17 June 2011	3.17	**2,860,000**	2,860,000
11 August 2008 – 17 June 2011	2.07	**7,900,000**	10,200,000
		61,240,000	68,540,000

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 61,240,000 (2009: 68,540,000) additional ordinary shares of the Company and additional share capital of HK$61,240,000 (2009: HK$68,540,000) and share premium of HK$167,614,000 (2009: HK$185,225,000), before any issuance expenses and without taking into account of any transfer of share option reserve to the share premium account.

(e) Subsequent to the reporting date, 900,000 share options outstanding as at 31 December 2010 were forfeited in January 2011 upon the expiry of the three-month post-resignation exercisable period of an employee who resigned in October 2010.

At the date of approval of these financial statements, the Company had 60,340,000 share options outstanding under the Scheme, which represented approximately 8.9% of the Company's ordinary shares in issue at that date.

31. 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.

(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 be transferred to the share premium account when the related share options are exercised, or transferred to retained profits/accumulated losses should the related share options expire or be forfeited.

(iv) PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's PRC subsidiaries, jointly-controlled entities and associates. None of the Group's PRC reserve funds as at 31 December 2010 was distributable in the form of cash dividends (2009: Nil).

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009		170,319	9,721	66,120	(164,215)	81,945
Loss for the year and total comprehensive loss for the year	*11*	–	–	–	(137,232)	(137,232)
Equity-settled share option arrangements	*30(a)*	–	–	8,623	–	8,623
Transfer of share option reserve upon the forfeiture of share options	*30(c)*	–	–	(3,674)	3,674	–
At 31 December 2009 and 1 January 2010		**170,319**	**9,721**	**71,069**	**(297,773)**	**(46,664)**
Profit for the year and total comprehensive income for the year	*11*	**–**	**–**	**–**	**639**	**639**
Transfer of share option reserve upon the forfeiture of share options	*30(c)*	**–**	**–**	**(7,055)**	**7,055**	**–**
At 31 December 2010		**170,319**	**9,721**	**64,014**	**(290,079)**	**(46,025)**

32. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2010 (2009: Nil).

At 31 December 2010, contingent liabilities of the Company not provided for in the financial statements comprised guarantees of HK$211,765,000 (2009: HK$227,273,000) in aggregate given to banks in connection with the banking facilities granted to a subsidiary, which had not been utilised as at 31 December 2010 (2009: Nil).

33. Operating Lease Arrangements

(a) As lessor

During the current and prior years, the Group leased its investment properties (note 14) under operating lease arrangements, with the leases negotiated for terms ranging from one to five 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. The investment properties were vacant as at 31 December 2010.

At 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**–**	548
In the second to fifth years, inclusive	**–**	127
	–	675

33. Operating Lease Arrangements *(continued)*

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from one to two years (2009: one to two years).

At 31 December 2010, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,974**	2,215	**17**	16
In the second to fifth years, inclusive	**1,201**	1,814	**–**	–
	3,175	4,029	**17**	16

34. Capital Commitments

At 31 December 2010, the Group had capital commitments in respect of plant and machinery of HK$35,294,000 (2009: HK$34,091,000), which are authorised, but not contracted for.

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	
	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for	**1,395**	620
Authorised, but not contracted for	**5,164**	4,277
	6,559	4,897

35. Related Party Disclosures

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

	Group	
	2010	2009
	HK$'000	HK$'000
With jointly-controlled entities:		
Purchase of goods from a jointly-controlled entity	**–**	2,818
Service fee paid to a jointly-controlled entity	**–**	741
Sales of products to a jointly-controlled entity	**294**	265
With associates:		
Purchase of goods from associates	**6,663**	8,784
Service fees paid to associates	**3,926**	7,928
Sub-contracting fee paid to an associate	**1,559**	128
Service income received from an associate	**235**	–
Acquisition of a golf club membership from an associate	**1,875**	–
With other related company:		
Rental expenses paid to a related company	**816**	658

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

(b) Outstanding balances with related parties:

(i) Details of the Group's amounts due from/to a jointly-controlled entity and an associate as at the end of the reporting period are disclosed in notes 18 and 19 to the financial statements, respectively;

(ii) Details of the Group's trade receivables and other receivables due from jointly-controlled entities, associates, and non-controlling equity holders, as at the end of the reporting period are disclosed in notes 23 and 24 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 and associates as at the end of the reporting period are disclosed in notes 26 and 27 to the financial statements, respectively.

35. Related Party Disclosures *(continued)*

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

	2010	2009
	HK$'000	HK$'000
Short term employee benefits	**5,095**	5,567
Post-employment benefits	**438**	453
Equity-settled share option expense	**–**	6,738
Total compensation paid to key management personnel	**5,533**	12,758

Further details of directors' emoluments and remuneration of the five highest paid employees are included in notes 8 and 9 to the financial statements, respectively.

36. Financial Instruments by Category

All financial assets and liabilities of the Group and the Company as at 31 December 2010 and 2009 were loans and receivables and financial liabilities stated at amortised cost, respectively.

37. Financial Risk Management Objectives and Policies

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

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

The carrying amounts of the Group's financial instruments approximated to their fair values as at the end of each reporting period. 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.

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

(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 end of the reporting period that are exposed to interest rate risk:

	Within 1 year	**Effective interest rate**
	HK$'000	%
At 31 December 2010		
Floating rate:		
Pledged deposits	**119**	**0.12**
Bank balances	**236,681**	**0.30**
Fixed rate:		
Time deposits	**382,909**	**1.84**
At 31 December 2009		
Floating rate:		
Pledged deposits	4,489	0.37
Bank balances	402,242	0.25
Fixed rate:		
Time deposits	227,045	1.83

31 December 2010

37. 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 end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax and of the Group's equity 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
2010			
If HK$ weakens against RMB	**5**	**(846)**	**3,764**
If HK$ strengthens against RMB	**(5)**	**846**	**(3,764)**
2009			
If HK$ weakens against RMB	5	(4,482)	6,825
If HK$ strengthens against RMB	(5)	4,482	(6,825)

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

(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 related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

(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 inflows 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 end of the reporting period either had no fixed terms of repayment or were due for repayment within one year.

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

(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 possibly with greater leverage.

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

The 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 of its investments in subsidiaries.

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

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

38. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 31 March 2011.

Five Year Financial Summary

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

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	**211,639**	225,376	293,223	358,412	292,419
Profit/(loss) before tax	**(26,176)**	(166,542)	(431,267)	304,460	24,290
Income tax	**(1,587)**	(10,312)	10,576	(2,080)	(4,757)
Profit/(loss) for the year from continuing operations	**(27,763)**	(176,854)	(420,691)	302,380	19,533
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**–**	–	–	16,251	8,932
Profit/(loss) for the year	**(27,763)**	(176,854)	(420,691)	318,631	28,465
Attributable to:					
Shareholders of the Company	**(23,460)**	(158,418)	(414,598)	317,480	12,080
Non-controlling interests	**(4,303)**	(18,436)	(6,093)	1,151	16,385
	(27,763)	(176,854)	(420,691)	318,631	28,465

	31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**925,390**	933,164	1,078,566	1,539,345	1,025,319
Total liabilities	**(281,222)**	(283,295)	(265,121)	(317,969)	(360,279)
Net assets	**644,168**	649,869	813,445	1,221,376	665,040
Equity attributable to:					
Shareholders of the Company	**619,228**	622,770	767,826	1,172,317	565,335
Non-controlling interests	**24,940**	27,099	45,619	49,059	99,705
	644,168	649,869	813,445	1,221,376	665,040