Beijing Development (Hong Kong) Limited

(Stock Code 154)

Annual Report 2011

Contents

Corporate Information

Board of Directors

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

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mr. Wong Kwok Wai, Robin

Authorised Representatives

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

Registered Office

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

Website

http://www.bdhk.com.hk

Stock Code

154

Share Registrars

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

Auditors

Ernst & Young

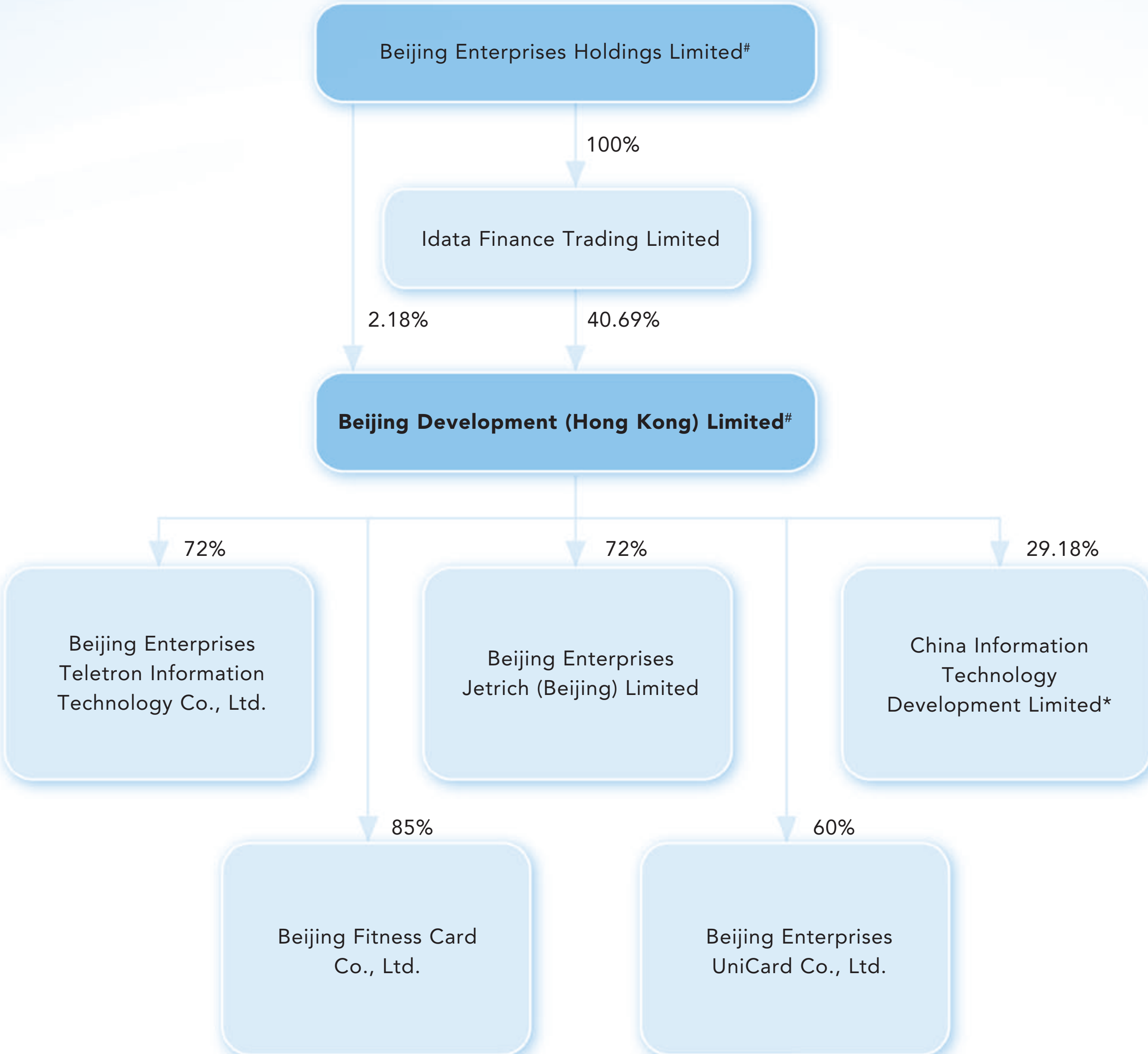
Principal Bankers

In Hong Kong:
Bank of China, Hong Kong Branch

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

Corporate Structure

26 March 2012



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

With the smooth completion of the disposal of Beijing Municipal Administration & Communications Card Co., Ltd. in 2011, the Group will raise the curtain of business restructuring, looking forward to new development opportunities in 2012.

Despite a turnaround in the profits in 2011, the on-going business still suffered from a weak foundation for earnings and a limited assets scale. Striving to improve its business operation and overall financial results, the Group has always and will continue to review its existing business structure and effort to expand its income sources through proactively identifying potential investment opportunities, in order to enhance the reasonable return to shareholders.

In the second half of 2011, the Company has entered into a subscription agreement with Beijing Enterprises Holdings Limited ("BEHL"), pursuant to which, BEHL, through its wholly-owned subsidiary, has agreed to subscribe new shares, convertible bonds and standby convertible bonds of the Company, with the total subscription amount of HK$3.5 billion. Completion of the subscription agreement is subject to the approval by the relevant regulatory bodies and voting at the Company's general meeting. The Group intended to apply the proceeds from these low-cost financing activities to strengthen its capital structure under the global economic turmoil and wait for appropriate opportunities in the future to explore new businesses and acquire new projects through mergers and acquisitions.

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
26 March 2012

Business Review

Beijing Municipal Administration & Communications Card Co., Ltd. ("BMAC") was the focal development project of the Group in the past. However, as it has failed to generate profit contribution to the Group over the years, whilst its outlook was beyond reliable prediction, it has been passed at the Company's general meeting that the entire 43% equity interest in BMAC would be disposed of at a cash consideration of RMB96.38 million, generating a one-off net gain after tax of HK$115.45 million, which has brought along the turnaround in the profits of the Group.

During the year under review, the Group's principle business continued to develop around the core of system integration and IT service.

System integration segment: under intensive industry competition and suppression by "price-cut" bids and increasing material and salary costs, the business continued to shrink with a lowering gross profit margin. At the request of the clients, the Group has successfully, in phase, completed ahead of schedule of the two major livelihood projects of safety door project for Line 9 and the automated fare collection system phase II for Line 8, which has assured the Group's sound reputation in the core business sector. In respect of non-rail transportation sector, the Group has adhered to tapping new sources and cutting expenses and secured several intellectualisation works and services projects in government departments, banks and enterprises in Beijing Municipal and the peripheral areas during the year.

IT service segment: targeting at the informatisation construction of the Beijing Municipal government and the industry, to provide to the governments and related industries with (1) technical support services for network operating services, access services and network application systems; (2) software development around the four principal businesses of Beijing Municipal Commission of Education, Education District, Beijing Education Examinations Authority and Beijing Open University; (3) government data operating services cored on teacher and student IC card business and CIMS systems.

Prospects

Over the years, the Group has established solid customer relationship in the government sector including rail transportation and education in Beijing Municipal. Against the backdrop of intensive competition and narrowing gross profit margin, the Group will enhance its competitiveness, closely trace the trend of industry construction, and leverage on the effective channel resources with Beijing Municipal government and other partners to strive for cross-region and multi-sector development, with the objectives of maximising the rate of successful bids and optimising the profit margin of the system integration and IT services projects.

Financial Review

Revenue

The Group's revenue in 2011 was HK$185.18 million, dropped 12.5% as compared with HK$211.64 million in 2010. This was mainly due to increase in the competition in system integration contracts.

Cost of sales

The Group's cost of sales in 2011 was HK$158.99 million, dropped 10.0% as compared with HK$176.75 million in 2010.

Financial Review *(Continued)*

Gross profit

The Group achieved a gross profit of HK$26.20 million in 2011, dropped 24.9% as compared with HK$34.89 million in 2010.

Gain on disposal of a jointly-controlled entity

It represented the gain on disposal (before tax expenses) of BMAC during the year.

Other income, net

The Group's other income in 2011 amounted to HK$26.23 million, mainly comprised of the imputed interest on interest-free trade receivables with extended credit periods of HK$14.68 million and bank interest income of HK$7.04 million.

Selling and distribution costs

The Group's selling and distribution costs in 2011 increased by 3.4% to HK$9.64 million.

Administrative expenses

Excluding the share option expense of HK$27.88 million, the Group's administrative expenses increased by 5.6% to HK$61.57 million as compared with HK$58.33 million in 2010.

Other expenses, net

The Group's other expenses in 2011 amounted to HK$13.36 million, mainly comprised of impairment of goodwill of HK$10 million.

Finance costs

The Group's finance costs in 2011 decreased by 34.3% to HK$4.09 million, which was wholly represented the imputed interest on interest-free trade payables with extended credit periods.

Share of profits and losses of jointly-controlled entities and associates

During the year under review, the Group's share of net profits of jointly-controlled entities reduced to HK$0.11 million from HK$1.56 million in 2010 whilst the Group's share of net losses of associates reduced to HK$0.52 million from HK$8.25 million in 2010.

Income tax

The Group's income tax in 2011 mainly comprised of withholding tax of HK$6.59 million in relation to the disposal of BMAC and deferred tax expenses of HK$1.76 million.

Profit for the year

Based on the foregoing, the profit for the year ended 31 December 2011 was HK$48.94 million, as compared with the loss of HK$27.76 million in 2010. The profit attributable to shareholders of the Company was HK$54.85 million, as compared with the loss of HK$23.46 million in 2010.

Financial Position

During the year under review, there was no change in the capital structure of the Company. As at the end of 2011, the Group had total assets and total liabilities of HK$1,041.47 million and HK$303.33 million, respectively, increased by HK$116.08 million and HK$22.11 million as compared with the end of 2010; respectively. The net assets of the Group increased by HK$93.97 million from HK$644.17 million to HK$738.14 million, of which equity attributable to shareholders of the Company amounted to HK$719.29 million as at the end of 2011.

As at 31 December 2011, the cash and bank balances held by the Group amounted to HK$717.04 million, which were denominated as to approximately 28% in Hong Kong dollars and 71% in Renminbi. The Group did not have any bank borrowings, nor did it hold any financial derivatives. As at the end of 2011, the Group had a net working capital of HK$693.79 million and its current ratio and the total liabilities to assets ratio were maintained at 3.86 times and 29.1%, respectively. The Group has sufficient cash resources to finance its current operations.

During the year under review, the Group had capital expenditures of HK$2.87 million. As at 31 December 2011, the Group had capital commitment of HK$65.39 million. The Group did not have any material contingent liabilities.

Employees

At the end of 2011, the Group had approximately 330 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 2011 amounted to HK$71.86 million, which included share option expense of HK$27.88 million, comparing to employee benefits of HK$39.83 million in 2010.

Executive Directors

Mr. E Meng, aged 53, is the chairman of the Company. Mr. E also serves as the vice general manager 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 59, also serves as a director of BEGCL, the 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 58, is the president of the Company. Mr. Wang graduated from the Chinese Faculty of Lanzhou University. From 1969 to 1989, Mr. Wang worked for the Chinese People's Liberation Army (Force 84501). From 1989 to 1993, Mr. Wang worked for the Office of Beijing Haidian District Government. From 1993 to 1998, Mr. Wang served as the secretary to the General Office of Beijing People's Municipal Government. Since 1998, Mr. Wang has been the assistant to general manager of Beijing Holdings Limited 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 51, 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.

Ms. SHA Ning, aged 41, is a vice president of the Company and also serves as an assistant to president and a manager of finance department of BEHL. Ms. Sha graduated from the Business Faculty of Heilongjiang University in 1992, majored in Business and Economic Studies, and holds a second degree in Foreign Trade Accounting in Beijing School of Business and Capital University of Economics and Business, an EMBA degree from The Hong Kong University of Science and Technology and the title of PRC Senior Accountant. Ms. Sha joined BEHL in 2001 and has extensive working experience in financial management. From 2001 to 2008, Ms. Sha has been assigned as the financial controller of certain subsidiaries of BEHL. Ms. Sha joined the Group in March 2009.

Mr. NG Kong Fat, Brian, aged 56, 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 54, 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 currently serves as an independent non-executive director of Huabao International Holdings Limited (stock code: 336) and an independent director of Cosco Shipping Co., Ltd. (stock code: 600428.SS). Dr. Jin joined the Group in September 2004.

Dr. HUAN Guocang, aged 62, 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 54, is currently a senior partner of King & Wood, a law firm in China. Dr. Wang holds a bachelor degree in law from the Law School of Peking University in 1982, a master degree in law from the Law School of Harvard University in 1984 and a doctorate degree in law from the Law School of Washington University in Missouri in 1991. Before being admitted as a Chinese lawyer and joining King & Wood in 1998, Dr. Wang was further admitted to the Missouri Bar in 1991 and then practiced in St. Louis, Missouri from 1991 to 1997. From 1984 to 1988, Dr. Wang worked with the Legislative Affairs Committee of the Standing Committee of National People's Congress and has participated in the legislation of the Grassland Law, Fishery Law, Bankruptcy Law, Law of Chinese-foreign Cooperative Joint Venture, and Customs Law, etc. Dr. Wang joined the Group in January 2008.

Senior Management

Mr. LI Chunli, aged 40, is a vice 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.

Mr. WONG Kwok Wai, Robin, aged 45, 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 49, 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.

Ms. SUN Ling, aged 53, 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 46, 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 Provisions") 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 2011.

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 2011.

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 8 and 9. 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	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. Yan Qing	Executive director	2/2
Ms. Sha Ning	Executive director	2/2
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	1/2
Dr. Wang Jianping	Independent non-executive director	2/2

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 compliance with revised rule 3.25 of the Listing Rules and with terms of reference in accordance with revised Code Provision B.1.2, which will become effective on 1 April 2012. 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 remuneration committee performs an advisory role to the Board and its role and function include make recommendations to the Board 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 held a meeting during the year under review. Details of the attendance of the remuneration committee meetings are as follows:

Name of member	**Attendance**
Dr. Jin Lizuo	1/1
Mr. E Meng	1/1
Dr. Huan Guocang	1/1
Dr. Wang Jianping	1/1

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. The Company's nomination committee has been established on 26 March 2012 with terms of reference in accordance with revised Code Provision A.5.2, which will become effective on 1 April 2012. The members of the nomination committee are Mr. E Meng (chairman), Dr Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping. The majority of the nomination committee members are independent non-executive directors.

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$435,000, which represented an agreed-upon procedures engagement in connection with the Group's interim financial report and the compliance services.

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	1/2
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 23. 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 ended 31 December 2011, 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 2011.

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 and Dividends

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 31.

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

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published annual reports or audited financial statements, as appropriate, is set out on page 86. This summary does not form part of the audited financial statements.

Property and Equipment and Investment Properties

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

Share Capital 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 2011, 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 47% of the total sales for the year and sales to the largest customer included therein amounted to 24%. Purchases from the Group's five largest suppliers accounted for 36% of the total purchases for the year and purchases from the largest supplier included therein amounted to 12%.

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
Mr. Ng Kong Fat, Brian

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. E Meng, Ng Kong Fat, Brian and Jin Lizuo will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

The Company has received annual confirmations of independence from each of the three 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 8 to 10 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 11 of the annual report.

Directors' Interests in Contracts

Details of the connected transactions and material related party transactions are set out in note 35 to the financial statements.

Save for the above, 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 at any time during the year or at the end of the year.

Directors' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2011, 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:

Long positions in ordinary shares of the Company:

	Number of ordinary shares held, capacity and nature of interest			
Name of director	Directly beneficially owned	Through a controlled corporation	Total	Percentage of the Company's issued share capital
Mr. E Meng	601,000	—	601,000	0.09
Mr. Zhang Honghai	4,000,000	—	4,000,000	0.59
Mr. 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 2011, 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 2011**	**Granted during the year**	**Forfeited/ lapsed during the year**	**At 31 December 2011**
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)	—
	(e)	—	6,770,000	—	6,770,000
		9,000,000	6,770,000	(9,000,000)	6,770,000
Mr. Zhang Honghai	*(a)*	6,800,000	—	(6,800,000)	—
	(e)	—	6,770,000	—	6,770,000
		6,800,000	6,770,000	(6,800,000)	6,770,000
Mr. Wang Yong	*(a)*	6,000,000	—	(6,000,000)	—
	(d)	1,000,000	—	(1,000,000)	—
	(e)	—	6,770,000	—	6,770,000
		7,000,000	6,770,000	(7,000,000)	6,770,000
Mr. Yan Qing	*(a)*	3,200,000	—	(3,200,000)	—
	(d)	1,500,000	—	(1,500,000)	—
	(e)	—	4,700,000	—	4,700,000
		4,700,000	4,700,000	(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)	—
	(e)	—	5,500,000	—	5,500,000
		5,500,000	5,500,000	(5,500,000)	5,500,000

Share Option Scheme *(continued)*

Name or category of participant	Notes	Number of share options: At 1 January 2011	Granted during the year	Forfeited/ lapsed during the year	At 31 December 2011
Independent non-executive directors:					
Dr. Jin Lizuo	*(a)*	680,000	—	(680,000)	—
	(e)	—	670,000	—	670,000
		680,000	670,000	(680,000)	670,000
Dr. Huan Guocang	*(c)*	680,000	—	(680,000)	—
	(e)	—	670,000	—	670,000
		680,000	670,000	(680,000)	670,000
Dr. Wang Jianping	*(c)*	680,000	—	(680,000)	—
	(e)	—	670,000	—	670,000
		680,000	670,000	(680,000)	670,000
Other employees:					
In aggregate	*(a)*	25,300,000	—	(25,300,000)	—
	(d)	900,000	—	(900,000)	—
	(e)	—	18,900,000	—	18,900,000
		26,200,000	18,900,000	(26,200,000)	18,900,000
		61,240,000	51,420,000	(61,240,000)	51,420,000

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. The share options were exercised in two equal portions. The first portion was exercisable at any time commencing on 1 May 2008, and the other portion was exercisable from 1 May 2009 and, if not otherwise exercised, were lapsed on 17 June 2011. The vesting periods of each of the portion was 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 were entitled to exercise all the share options within three months from the date of termination of their employment with the Company.

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

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

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

(e) These share options were granted on 21 June 2011 at an exercise price of HK$1.25@ 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$1.19. The share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.

@ 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.

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

At 31 December 2011, 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:

Name	Notes	Number of ordinary shares held, capacity and nature of interest: Directly beneficially owned	Through controlled corporations	Total	Percentage of the Company's issued share capital
Idata Finance Trading Limited ("Idata")		275,675,000	—	275,675,000	40.69
Beijing Enterprises Holdings Limited ("BEHL")	*(a)*	14,784,000	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 2011, 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.

Connected Transactions

Details of the connected transactions undertaken by the Group during the year are set out in note 35(b) to the financial statements.

Event After the Reporting Period

Details of the significant event after the reporting period of the Group are set out in note 38 to the financial statements.

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
26 March 2012

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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 25 to 85, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

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 2011, and of the Group's profit 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
26 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**185,184**	211,639
Cost of sales		**(158,986)**	(176,752)
Gross profit		**26,198**	34,887
Gain on disposal of a jointly-controlled entity	*18(c)*	**122,041**	—
Other income, net	5	**26,226**	13,444
Selling and distribution costs		**(9,639)**	(9,326)
Administrative expenses		**(89,452)**	(58,325)
Other expenses, net		**(13,363)**	6,059
Finance costs	6	**(4,087)**	(6,223)
Share of profits and losses of:			
Jointly-controlled entities	*18(a)*	**112**	1,560
Associates	*19(a)*	**(520)**	(8,252)
PROFIT/(LOSS) BEFORE TAX	7	**57,516**	(26,176)
Income tax	10	**(8,578)**	(1,587)
PROFIT/(LOSS) FOR THE YEAR		**48,938**	(27,763)
Attributable to:			
Shareholders of the Company	11	**54,846**	(23,460)
Non-controlling interests		**(5,908)**	(4,303)
		48,938	(27,763)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12		
— Basic and diluted (HK cents)		**8.10**	(3.46)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**48,938**	(27,763)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange fluctuation reserve:		
Translation of foreign operations	**20,628**	17,332
Release upon disposal of a jointly-controlled entity	**(4,119)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**16,509**	17,332
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**65,447**	(10,431)
Attributable to:		
Shareholders of the Company	**71,541**	(8,393)
Non-controlling interests	**(6,094)**	(2,038)
	65,447	(10,431)

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property and equipment	13	**9,718**	9,423
Investment properties	14	**45,837**	44,771
Goodwill	15	**—**	10,000
Other intangible assets	16	**2,496**	5,109
Investments in jointly-controlled entities	18	**12,093**	14,565
Investments in associates	19	**19,034**	21,037
Trade receivables	23	**15,613**	29,875
Deferred tax assets	20	**—**	1,672
Total non-current assets		**104,791**	136,452
CURRENT ASSETS			
Inventories	21	**14,702**	4,610
Amounts due from contract customers	22	**909**	2,742
Trade receivables	23	**85,106**	131,486
Prepayments, deposits and other receivables	24	**117,751**	29,864
Income tax recoverable		**—**	527
Pledged deposits	25	**1,173**	119
Cash and cash equivalents	25	**717,035**	619,590
Total current assets		**936,676**	788,938
CURRENT LIABILITIES			
Trade and bills payables	26	**118,081**	135,430
Amounts due to contract customers	22	**9,788**	8,185
Other payables and accruals	27	**108,256**	87,251
Income tax payables		**6,762**	23
Total current liabilities		**242,887**	230,889
NET CURRENT ASSETS		**693,789**	558,049
TOTAL ASSETS LESS CURRENT LIABILITIES		**798,580**	694,501
NON-CURRENT LIABILITIES			
Trade payables	26	**13,526**	15,039
Deferred income	28	**46,915**	35,294
Total non-current liabilities		**60,441**	50,333
Net assets		**738,139**	644,168
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	29	**677,460**	677,460
Reserves	31(a)(i)	**41,833**	(58,232)
		719,293	619,228
Non-controlling interests		**18,846**	24,940
Total equity		**738,139**	644,168

E Meng
Director

Wang Yong
Director

Year ended 31 December 2011

		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 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:												
Exchange differences on translation of foreign operations		–	–	–	–	–	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 and 1 January 2011		**677,460**	**170,319***	**9,721***	**64,014***	**5,701***	**60,772***	**41,717***	**(410,476)***	**619,228**	**24,940**	**644,168**
Profit/(loss) for the year		–	–	–	–	–	–	–	54,846	54,846	(5,908)	48,938
Other comprehensive income/(loss) for the year:												
Exchange fluctuation reserves:												
Translation of foreign operations		–	–	–	–	–	20,814	–	–	20,814	(186)	20,628
Release upon disposal of a jointly-controlled entity		–	–	–	–	–	(4,119)	–	–	(4,119)	–	(4,119)
Total comprehensive income/(loss) for the year		–	–	–	–	–	16,695	–	54,846	71,541	(6,094)	65,447
Equity-settled share option arrangement	30(a)	–	–	–	27,882	–	–	–	–	27,882	–	27,882
Transfer of share option reserve upon the forfeiture/lapse of share options	30(c),(d)	–	–	–	(64,014)	–	–	–	64,014	–	–	–
Transfer to PRC reserve funds		–	–	–	–	–	–	21	(21)	–	–	–
Share of reserves of an associate		–	–	–	–	642	–	–	–	642	–	642
At 31 December 2011		**677,460**	**170,319***	**9,721***	**27,882***	**6,343***	**77,467***	**41,738***	**(291,637)***	**719,293**	**18,846**	**738,139**

* These reserve accounts comprise the consolidated reserves of HK$41,833,000 (2010: negative consolidated reserves of HK$58,232,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**57,516**	(26,176)
Adjustments for:			
Gain on disposal of a jointly-controlled entity	*18(c)*	**(122,041)**	—
Share of profits and losses of jointly-controlled entities	*18(a)*	**(112)**	(1,560)
Share of profits and losses of associates	*19(a)*	**520**	8,252
Bank interest income	*5*	**(7,037)**	(6,152)
Imputed interest on interest-free trade receivables with extended credit periods	*5*	**(14,676)**	(1,446)
Imputed interest on interest-free trade payables with extended credit periods	*6*	**4,087**	6,223
Fair value loss on investment properties	*7*	**1,144**	538
Write-down of inventories to net realisable value	*7*	**327**	1,286
Loss on disposal of items of property and equipment, net	*7*	**11**	59
Depreciation	*7*	**2,974**	2,815
Amortisation of other intangible assets	*7*	**2,820**	2,656
Impairment of goodwill	*7*	**10,000**	—
Impairment of an amount due from an associate	*7*	**31**	30
Impairment/(reversal of impairment) of trade receivables, net	*7*	**876**	(6,687)
Impairment of other receivables	*7*	**834**	—
Equity-settled share option expense	*7*	**27,882**	—
		(34,844)	(20,162)
Decrease/(increase) in inventories		**(10,191)**	2,126
Decrease in amounts due from contract customers		**1,968**	4,366
Decrease/(increase) in trade receivables		**82,410**	(31,037)
Decrease/(increase) in prepayments, deposits and other receivables		**(3,587)**	28,975
Decrease in trade and bills payables		**(30,380)**	(11,216)
Increase/(decrease) in amounts due to contract customers		**1,199**	(1,653)
Increase/(decrease) in other payables and accruals		**17,440**	(4,669)
Increase in deferred income		**9,878**	—
Cash generated from/(used in) operations		**33,893**	(33,270)
Interest received		**7,037**	6,152
Dividend received from a jointly-controlled entity		**2,469**	—
Mainland China corporate income tax refunded		**468**	804
Net cash flows from/(used in) operating activities		**43,867**	(26,314)

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	*13*	**(2,826)**	(1,447)
Proceeds from disposal of items of property and equipment		**8**	81
Purchases of other intangible assets	*16*	**(46)**	(2,475)
Proceeds from disposal of a jointly-controlled entity	*24(b)*	**35,477**	—
Increase in an amount due from an associate		**(31)**	(30)
Decrease/(increase) in time deposits with maturity of more than three months when acquired		**129,464**	(63,496)
Decrease/(increase) in pledged deposits		**(1,048)**	4,528
Net cash flows from/(used in) investing activities		**160,998**	(62,839)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**204,865**	(89,153)
Cash and cash equivalents at beginning of year		**392,564**	471,332
Effect of foreign exchange rate changes, net		**10,833**	10,385
CASH AND CASH EQUIVALENTS AT END OF YEAR		**608,262**	392,564
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	*25*	**370,608**	236,800
Time deposits	*25*	**347,600**	382,909
Less: Pledged deposits	*25*	**(1,173)**	(119)
Cash and cash equivalents as stated in the consolidated statement of financial position		**717,035**	619,590
Less: Time deposits with maturity of more than three months when acquired		**(108,773)**	(227,026)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**608,262**	392,564

Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property and equipment	*13*	**1,179**	711
Other intangible assets	*16*	**1,469**	1,844
Investments in subsidiaries	*17*	**228,189**	214,987
Total non-current assets		**230,837**	217,542
CURRENT ASSETS			
Prepayments, deposits and other receivables	*24*	**35,971**	33,191
Cash and cash equivalents	*25*	**424,633**	389,539
Total current assets		**460,604**	422,730
CURRENT LIABILITIES			
Other payables and accruals	*27*	**12,297**	8,837
NET CURRENT ASSETS		**448,307**	413,893
Net assets		**679,144**	631,435
EQUITY			
Issued capital	*29*	**677,460**	677,460
Reserves	*31(b)*	**1,684**	(46,025)
Total equity		**679,144**	631,435

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; and (iv) the development and sale of software.

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, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date 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.

Total comprehensive income within a subsidiary is 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.

2.2 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 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*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK (IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK (IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised) and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010*

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. 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 has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations:* The amendment 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 amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

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

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

(b) *Improvements to HKFRSs 2010* *(continued)*

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

- HKAS 27 *Consolidated and Separate Financial Statements:* The amendment 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.

2.3 Issued but not yet Effective HKFRSs

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

HKFRS 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* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated Financial Instruments* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

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

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

HKFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g., securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group expects to adopt the amendments from 1 July 2011 and comparative disclosures are not required for any period beginning before that date.

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

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

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated 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 profit or loss. 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 entirely. 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 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

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

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*. HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalents to net settlements. The Group expects to adopt the amendments from 1 January 2014.

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 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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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 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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Related parties

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

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

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

 (ii) has significant influence over the Group; or

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

or

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties *(continued)*

(b) *(continued)*

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

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

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

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether if measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition 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 will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations and goodwill *(continued)*

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

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

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Property and equipment and depreciation

Property and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the 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 property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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

An item of property and equipment 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 year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 Summary of Significant Accounting Policies *(continued)*

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 year of the retirement or disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, 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 impairment losses. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised on the straight-line basis over their estimated useful economic lives and the principal annual rates used for this purpose are as follows:

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, 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 all classified as loans and receivables, which are recognised initially at fair value plus 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, trade and other receivables, and amounts due from a jointly-controlled entity and an associate.

Subsequent measurement

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

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 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Impairment of financial assets *(continued)*

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 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.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities 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.

The Group's financial liabilities include trade and other payables.

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 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.

Offsetting of financial instruments

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

2.4 Summary of Significant Accounting Policies *(continued)*

Inventories

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

System integration contracts

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

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

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

Software development contracts

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

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

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

Cash and cash equivalents

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

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.

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

- when 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, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income 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.

Revenue recognition

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

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

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

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

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

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

(f) 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair values are determined by external valuers using the Black-Scholes-Merton option pricing model, further details of which are given in note 30 to the financial statements.

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

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

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

Pension schemes

Certain companies within the Group have participated in a number of defined contribution retirement benefit schemes required by the respective governments of the places in which they operate for their employees. 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 assets of the schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the schemes.

2.4 Summary of Significant Accounting Policies *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates 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 arising on settlement or translation of monetary items 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 gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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. Further details are given in note 15 to the financial statements.

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

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

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.

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

Provision against obsolete and slow-moving inventories *(continued)*

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

Provision for impairment of trade receivables and other receivables

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

Percentage of completion of system integration and software development contracts

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

Current tax and deferred tax

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

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.

Operating lease commitments — Group as lessor

The Group had entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retained all the significant risks and rewards of ownership of these properties which were leased out on operating leases.

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

Classification between investment properties and owner-occupied properties

The Group determined whether a property qualified as an investment property, and had developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considered whether a property generated cash flows largely independently of the other assets held by the Group. Some properties comprised a portion that was held to earn rentals or for capital appreciation and another portion that was held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an significant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement was made on an individual property basis to determine whether ancillary services were so significant that a property did not qualify as an investment property.

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 (2010: one) which contributed over 10% of the Group's total revenue. The revenue generated from the sales to this customer for the year amounted to HK$44,903,000 (2010: HK$56,230,000).

5. Revenue and Other Income, Net

Revenue, which is also the Group's turnover, represents (1) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; (2) the value of services rendered, net of business tax; and (3) gross rental income received and receivable from investment properties during the year.

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

	Group	
	2011	2010
	HK$'000	HK$'000
Revenue		
Sale of IT related products	**123,994**	139,973
Maintenance contracts	**27,662**	29,236
Software development contracts	**17,137**	18,534
System integration contracts	**16,391**	23,552
Gross rental income	**—**	344
	185,184	211,639
Other income, net		
Bank interest income	**7,037**	6,152
Imputed interest on interest-free trade receivables with extended credit periods	**14,676**	1,446
Government grants released*	**2,468**	—
Others	**2,045**	5,846
	26,226	13,444

* Various government grants have been received by the Group from a government authority in Mainland China in respect of the fitness card system business carried out by Beijing Fitness Card Co., Ltd. ("Beijing Fitness Card"), a 85% owned subsidiary of the Group. The government grants have been recognised in the consolidated income statement to match the related expenses that they are intended to compensate or over the expected useful lives of the relevant assets by equal annual instalments. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

6. Finance Costs

Finance costs of the Group for the years ended 31 December 2011 and 2010 represented imputed interest on interest-free trade payables with extended credit periods.

7. Profit/(Loss) Before Tax

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

		Group	
		2011	2010
	Notes	**HK$'000**	HK$'000
Cost of inventories sold		**106,949**	117,251
Cost of services provided		**48,259**	54,289
Write-down of inventories to net realisable value@		**327**	1,286
Depreciation	*13*	**2,974**	2,815
Minimum lease payments under operating leases of land and buildings		**9,001**	7,165
Amortisation of other intangible assets@	*16*	**2,820**	2,656
Fair value loss on investment properties#	*14*	**1,144**	538
Impairment of goodwill#	*15*	**10,000**	—
Impairment of an amount due from an associate#	*19(d)*	**31**	30
Impairment/(reversal of impairment) of trade receivables, net#	*23(b)*	**876**	(6,687)
Impairment of other receivables#	*24(c)*	**834**	—
Loss on disposal of items of property and equipment, net#		**11**	59
Auditors' remuneration		**2,200**	2,200
Employee benefit expense (including directors' remuneration — note 8):			
Wages and salaries		**39,641**	36,516
Equity-settled share option expense	*30(a)*	**27,882**	—
Pension scheme contributions		**4,336**	3,309
		71,859	39,825
Rental income on investment properties		**—**	(344)
Less: Direct operating expenses		**631**	1,270
		631	926
Foreign exchange differences, net		**864**	1,390

@ These items are included in "Cost of sales" in the consolidated income statement.

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

8. Directors' Remuneration

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

	Group	
	2011	2010
	HK$'000	HK$'000
Fees	**960**	952
Other emoluments:		
Salaries, allowances and benefits in kind	**1,042**	1,509
Equity-settled share option expense	**19,228**	—
Pension scheme contributions	**82**	157
	20,352	1,666
	21,312	2,618

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such options, which has been recognised immediately in the income statement for the year, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

An analysis of directors' remuneration 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
2011					
Executive directors					
Mr. E Meng	100	—	4,003	—	4,103
Mr. Zhang Honghai	100	—	4,003	—	4,103
Mr. Wang Yong	100	1,042	4,003	81	5,226
Mr. Yan Qing	100	—	2,779	—	2,879
Ms. Sha Ning	100	—	—	—	100
Mr. Ng Kong Fat, Brian	100	—	3,252	1	3,353
	600	1,042	18,040	82	19,764
Independent non-executive directors					
Dr. Jin Lizuo	120	—	396	—	516
Dr. Huan Guocang	120	—	396	—	516
Dr. Wang Jianping	120	—	396	—	516
	360	—	1,188	—	1,548
Total	960	1,042	19,228	82	21,312

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
2010					
Executive directors					
Mr. E Meng	100	—	—	—	100
Mr. Zhang Honghai	100	—	—	—	100
Mr. Wang Yong	100	659	—	72	831
Mr. Yan Qing	100	428	—	43	571
Ms. Sha Ning#	33	—	—	—	33
Mr. Ng Kong Fat, Brian	100	—	—	1	101
Mr. Cao Wei*	59	422	—	41	522
	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

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

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

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 four (2010: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2010: three) non-director, highest paid employee for the year are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**1,078**	2,126
Equity-settled share option expense	**2,610**	—
Pension scheme contributions	**12**	139
	3,700	2,265

9. Five Highest Paid Employees *(continued)*

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

	Group	
	2011	2010
Nil — HK$1,000,000	**—**	2
HK$1,000,001 — HK$1,500,000	**—**	1
HK$3,500,001 — HK$4,000,000	**1**	—
	1	3

During the year, share options were granted to the non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such options, which has been recognised immediately in the income statement for the year, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employee's remuneration disclosures.

10. Income Tax

No provision for Hong Kong profits tax has been made for the year ended 31 December 2011 as the Group did not generate any assessable profits arising in Hong Kong during the year (2010: 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	
	2011	2010
	HK$'000	HK$'000
Current — Mainland China		
Charge for the year	**6,762**	62
Underprovision in prior years	**61**	68
Deferred *(note 20)*	**1,755**	1,457
Total tax charge for the year	**8,578**	1,587

10. Income Tax *(continued)*

A reconciliation of the tax charge/(credit) applicable to profit/(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	%
2011								
Profit/(loss) before tax	**(49,130)**		**106,670**		**(24)**		**57,516**	
Tax at the statutory tax rate	**(8,106)**	**16.5**	**26,668**	**25.0**	**(4)**	**17.0**	**18,558**	**32.3**
Lower tax rate for specific provinces or enacted by local authority	**—**	**—**	**128**	**0.1**	**—**	**—**	**128**	**0.2**
Effect of rate difference on the gain on disposal of a jointly-controlled entity	**—**	**—**	**(9,725)**	**(9.1)**	**—**	**—**	**(9,725)**	**(16.9)**
Profits and losses attributable to jointly-controlled entities	**—**	**—**	**(28)**	**—**	**—**	**—**	**(28)**	**—**
Profits and losses attributable to associates	**95**	**(0.2)**	**(14)**	**—**	**—**	**—**	**81**	**0.1**
Income not subject to tax	**(107)**	**0.2**	**(14,302)**	**(13.4)**	**—**	**—**	**(14,409)**	**(25.1)**
Expenses not deductible for tax	**8,118**	**(16.5)**	**1,436**	**1.3**	**4**	**(17.0)**	**9,558**	**16.6**
Tax losses utilised from previous period	**—**	**—**	**(419)**	**(0.4)**	**—**	**—**	**(419)**	**(0.7)**
Tax losses not recognised	**—**	**—**	**5,710**	**5.3**	**—**	**—**	**5,710**	**9.9**
Adjustments in respect of current tax of previous periods	**—**	**—**	**61**	**0.1**	**—**	**—**	**61**	**0.1**
Others	**—**	**—**	**(937)**	**(0.9)**	**—**	**—**	**(937)**	**(1.6)**
Tax charge at the Group's effective rate	**—**	**—**	**8,578**	**8.0**	**—**	**—**	**8,578**	**14.9**
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)

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

The consolidated profit/(loss) attributable to shareholders of the Company for the year ended 31 December 2011 includes a profit of HK$5,128,000 (2010: HK$617,000) which has been dealt with in the financial statements of the Company.

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

	Notes	2011 HK$'000	2010 HK$'000
Amount of consolidated profit for the year attributable to shareholders of the Company dealt with in the financial statements of the Company		**5,128**	617
Impairment of unlisted shares or investment in subsidiaries recognised during the year in the income statement	*17(b)*	**(89,451)**	—
Reversal of impairment of amounts due from subsidiaries recognised during the year in the income statement	*17(c)*	**104,150**	22
The Company's profit for the year	*31(b)*	**19,827**	639

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to shareholders of the Company and the weighted average of 677,460,150 (2010: 677,460,150) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2011 and 2010 as the share options of the Company outstanding during these years have an anti-dilutive effect on the respective basic earnings/(loss) per share amounts for these years.

13. Property and Equipment

Group

	Leasehold improve-ments HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2011				
At 31 December 2010 and 1 January 2011:				
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**
Net carrying amount:				
At 1 January 2011	**78**	**6,650**	**2,695**	**9,423**
Additions	**630**	**2,196**	**—**	**2,826**
Depreciation provided during the year	**(239)**	**(1,925)**	**(810)**	**(2,974)**
Disposals	**—**	**(19)**	**—**	**(19)**
Exchange realignment	**4**	**325**	**133**	**462**
At 31 December 2011	**473**	**7,227**	**2,018**	**9,718**
At 31 December 2011:				
Cost	**3,236**	**28,465**	**7,434**	**39,135**
Accumulated depreciation	**(2,763)**	**(21,238)**	**(5,416)**	**(29,417)**
Net carrying amount	**473**	**7,227**	**2,018**	**9,718**
Year ended 31 December 2010				
At 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

13. Property and 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 2011				
At 31 December 2010 and 1 January 2011:				
Cost	**—**	**379**	**1,199**	**1,578**
Accumulated depreciation	**—**	**(205)**	**(662)**	**(867)**
Net carrying amount	**—**	**174**	**537**	**711**
Net carrying amount:				
At 1 January 2011	**—**	**174**	**537**	**711**
Additions	**630**	**158**	**—**	**788**
Depreciation provided during the year	**(157)**	**(101)**	**(94)**	**(352)**
Exchange realignment	**—**	**5**	**27**	**32**
At 31 December 2011	**473**	**236**	**470**	**1,179**
At 31 December 2011:				
Cost	**630**	**544**	**741**	**1,915**
Accumulated depreciation	**(157)**	**(308)**	**(271)**	**(736)**
Net carrying amount	**473**	**236**	**470**	**1,179**
Year ended 31 December 2010				
At 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

14. Investment Properties

	Group 2011 HK$'000	2010 HK$'000
Carrying amount at 1 January	**44,771**	43,764
Fair value loss on revaluation	**(1,144)**	(538)
Exchange realignment	**2,210**	1,545
Carrying amount at 31 December	**45,837**	44,771

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

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

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

At 31 December 2011, 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 prior year, the investment properties were leased to third parties under operating leases. The investment properties are vacant as at 31 December 2011.

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 2011 HK$'000	2010 HK$'000
At 1 January:		
Cost	**103,970**	103,970
Accumulated impairment	**(93,970)**	(93,970)
Net carrying amount	**10,000**	10,000
Net carrying amount:		
At 1 January	**10,000**	10,000
Impairment during the year recognised in the income statement	**(10,000)**	—
At 31 December	**—**	10,000
At 31 December:		
Cost	**103,970**	103,970
Accumulated impairment	**(103,970)**	(93,970)
Net carrying amount	**—**	10,000

15. Goodwill *(continued)*

The Group's goodwill 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 "BETIT CGU").

The recoverable amount of the BETIT CGU 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% (2010: 15%), which is before tax and reflects specific risk relating to the BETIT CGU. Budgeted gross margins are based on both the historical gross margin of the BETIT CGU and the expected market growth rate of 5% (2010: 8%). The values assigned to the key assumptions are consistent with external information sources.

An impairment provision of HK$10,000,000 (2010: Nil) was recognised in the consolidated income statement for the current year with respect to the goodwill attributable to the BETIT CGU, because there were less than expected contracts concluded and future growth rate is expected to decline as a result of increase in market competition.

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 2011					
At 31 December 2010 and 1 January 2011:					
Cost	**23,530**	**2,353**	**1,761**	**1,875**	**29,519**
Accumulated amortization	**(21,569)**	**(2,353)**	**(457)**	**(31)**	**(24,410)**
Net carrying amount	**1,961**	**—**	**1,304**	**1,844**	**5,109**
Net carrying amount:					
At 1 January 2011	**1,961**	**—**	**1,304**	**1,844**	**5,109**
Additions	**—**	**—**	**46**	**—**	**46**
Amortisation provided during the year	**(2,058)**	**—**	**(387)**	**(375)**	**(2,820)**
Exchange realignment	**97**	**—**	**64**	**—**	**161**
At 31 December 2011	**—**	**—**	**1,027**	**1,469**	**2,496**
At 31 December 2011:					
Cost	**24,691**	**2,469**	**1,894**	**1,875**	**30,929**
Accumulated amortisation	**(24,691)**	**(2,469)**	**(867)**	**(406)**	**(28,433)**
Net carrying amount	**—**	**—**	**1,027**	**1,469**	**2,496**
Year ended 31 December 2010					
At 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

16. Other Intangible Assets *(continued)*

Company

	Golf club membership	
	2011	2010
	HK$'000	HK$'000
At 1 January:		
Cost	**1,875**	—
Accumulated amortisation	**(31)**	—
Net carrying amount	**1,844**	—
Net carrying amount:		
At 1 January	**1,844**	—
Additions	**—**	1,875
Amortisation provided during the year	**(375)**	(31)
At 31 December	**1,469**	1,844
At 31 December:		
Cost	**1,875**	1,875
Accumulated amortisation	**(406)**	(31)
Net carrying amount	**1,469**	1,844

17. Investments in Subsidiaries

		Company	
		2011	2010
	Notes	**HK$'000**	HK$'000
Unlisted shares or investments, at cost		**235,413**	235,413
Due from subsidiaries	*(a)*	**415,473**	416,970
		650,886	652,383
Accumulated impairment of unlisted shares or investments	*(b)*	**(141,050)**	(51,599)
Accumulated impairment of amounts due from subsidiaries	*(c)*	**(281,647)**	(385,797)
		(422,697)	(437,396)
		228,189	214,987

Notes:

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

17. Investments in Subsidiaries *(continued)*

Notes: (continued)

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

	Company	
	2011	2010
	HK$'000	HK$'000
At 1 January	**51,599**	51,599
Impairment during the year recognised in the income statement *(Note 11)*	**89,451**	—
At 31 December	**141,050**	51,599

An impairment provision of HK$89,451,000 (2010: Nil) was recognised in the consolidated income statement because there were less than expected contracts concluded and future growth rate is expected to decline as a result of increase in market competition.

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

	Company	
	2011	2010
	HK$'000	HK$'000
At 1 January	**385,797**	385,819
Reversal of impairment during the year recognised in the income statement *(Note 11)*	**(104,150)**	(22)
At 31 December	**281,647**	385,797

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

Name	Place of registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by Company	Percentage of attributable equity interest held by Group	Principal activities
BETIT#	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	—	60	Operation of electronic payment cards
Beijing Fitness CardΩ	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	
		2011	2010
	Notes	HK$'000	HK$'000
Share of net assets	(a)	12,093	13,153
Due from a jointly-controlled entity	(b)	—	1,412
		12,093	14,565

Notes:

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

	Group	
	2011 HK$'000	2010 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	1,674	75,367
Current assets	21,468	1,244,805
Current liabilities	(10,353)	(1,347,826)
Non-controlling interests	(696)	(841)
Losses in excess of investment cost not absorbed by the Group	—	41,648
Net assets	12,093	13,153
Share of the jointly-controlled entities' results:		
Revenue	59,780	58,719
Other income	68	68,257
Total revenue	59,848	126,976
Total expenses	(67,844)	(126,090)
Income tax	(139)	(174)
Non-controlling interests	186	59
Profit/(loss) for the year	(7,949)	771
Loss in excess of investment cost not absorbed by the Group	8,061	789
Profit for the year shared by the Group	112	1,560

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

(c) On 13 May 2011, Business Net Limited, a wholly-owned subsidiary of the Company, entered into a conditional equity transfer agreement (the "Disposal Agreement") with 北京控股集團有限公司 ("BEGCL"), a substantial shareholder of the Company, to dispose of its 43% equity interest in 北京市政交通一卡通有限公司 ("BMAC") for a total cash consideration of RMB96,380,000 (equivalent to HK$118,258,000). Further details of the disposal of BMAC are set out in the Company's circular dated 30 May 2011. The disposal was completed in October 2011 and a gain on disposal (before tax expenses) of HK$122,041,000 was recognised in the consolidated income statement.

(d) As at 31 December 2010, goodwill included in the investments in jointly-controlled entities of the Group amounted to HK$23,067,000, which arose from the acquisition of BMAC, and was fully impaired in prior years.

(e) Particulars of the jointly-controlled entity, which is indirectly held by the Company and registered/operates in the PRC, are as follows:

		Percentage of			
Name	Paid-up and registered capital	Ownership interest	Voting power	Profit sharing	Principal activities
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 2011 HK$'000	Group 2010 HK$'000
Share of net assets	(a)	**19,034**	21,037
Due from an associate	(b)	**15,734**	15,703
		34,768	36,740
Impairment of the amount due from an associate	(d)	**(15,734)**	(15,703)
		19,034	21,037

Notes:

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

	Group 2011 HK$'000	Group 2010 HK$'000
Share of the associates' assets and liabilities:		
Non-current assets	**3,004**	10,294
Current assets	**71,035**	71,161
Current liabilities	**(49,686)**	(31,888)
Non-current liabilities	**—**	(23,422)
Non-controlling interests	**(5,319)**	(5,108)
Net assets	**19,034**	21,037
Share of the associates' results:		
Revenue	**47,398**	53,016
Loss for the year	**(520)**	(8,252)

(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 balances with associates are 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 China Information Technology Development Limited ("CITD") and its subsidiaries, was fully impaired in prior years.

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

	Group 2011 HK$'000	Group 2010 HK$'000
At 1 January	**15,703**	15,673
Impairment during the year recognised in the income statement *(note 7)*	**31**	30
At 31 December	**15,734**	15,703

19. Investments in Associates *(continued)*

Notes: (continued)

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

Name	Nominal value of issued and paid-up capital/ registered capital	Place of registration/ incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activities
CITD*	HK$64,969,064	Cayman Islands/Hong Kong	29.18	Investment holding
Overseas Union Investments Limited	HK$10,000	Hong Kong	50	Investment holding
北京北控電信通智能科技有限公司	RMB10,000,000	PRC/Mainland China	25	Provision of system integration services

* Shares of CITD are listed on the Growth Enterprise Market of the Stock Exchange. The trading of the shares of CITD was suspended since 29 January 2009 and subsequent to the end of the reporting period, resumed on 19 March 2012.

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	Fair value adjustments of trade payables HK$'000	Tax loss HK$'000	Total HK$'000
At 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 and 1 January 2011	20	852	105	—	(183)	878	1,672
Deferred tax charged to the income statement during the year *(note 10)*	(21)	(894)	(110)	—	192	(922)	(1,755)
Exchange realignment	1	42	5	—	(9)	44	83
At 31 December 2011	—	—	—	—	—	—	—

At 31 December 2011, the Group had tax losses arising in Hong Kong of approximately HK$132,528,000 (2010: HK$136,217,000) 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$149,684,000 (2010: HK$123,371,000) as at 31 December 2011 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.

20. Deferred Tax Assets *(continued)*

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

At 31 December 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in Mainland China (2010: Nil). In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly-controlled entities in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$710,000 (2010: HK$454,000) as at 31 December 2011.

21. Inventories

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

22. Amounts Due from/to Contract Customers

	Group	
	2011	2010
	HK$'000	HK$'000
Amounts due from contract customers	**909**	2,742
Amounts due to contract customers	**(9,788)**	(8,185)
	(8,879)	(5,443)
Contract costs incurred plus recognised profits less recognised losses to date	**39,676**	18,497
Less: Progress billings	**(48,555)**	(23,940)
	(8,879)	(5,443)

At 31 December 2011, retentions held by customers for contract work included in trade receivables amounted to HK$22,148,000 (2010: HK$29,875,000).

23. Trade Receivables

	Notes	Group 2011 HK$'000	Group 2010 HK$'000
Trade receivables due from:			
Third parties		**113,603**	180,053
An associate	*(a)*	**1,007**	—
A non-controlling equity holder	*(a)*	**6,600**	—
		121,210	180,053
Impairment	*(b)*	**(20,491)**	(18,692)
	(c)	**100,719**	161,361
Portion classified as current assets		**(85,106)**	(131,486)
Non-current portion		**15,613**	29,875

Notes:

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

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

	Group 2011 HK$'000	Group 2010 HK$'000
At 1 January	**18,692**	25,026
Impairment/(reversal of impairment) during the year recognised in the income statement, net *(note 7)*	**876**	(6,687)
Amount written off as uncollectible	**—**	(530)
Exchange realignment	**923**	883
At 31 December	**20,491**	18,692

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.

(c) Various companies of the Group have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one to three months, with an instalment period extended up to six years for major customers. An aged analysis of the trade receivables is regularly prepared and closely monitored in order to minimise any related credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group 2011 HK$'000	Group 2010 HK$'000
Neither past due nor impaired	**68,836**	103,133
Past due but not impaired:		
Less than 3 months	**18,777**	53,335
4 to 6 months	**39**	2,549
7 to 12 months	**10,564**	1,645
Over 1 year	**2,503**	699
	31,883	58,228
	100,719	161,361
Portion classified as current assets	**(85,106)**	(131,486)
Non-current portion	**15,613**	29,875

23. Trade Receivables *(continued)*

Notes: (continued)

(c) *(continued)*

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.

24. Prepayments, Deposits and Other Receivables

		Group		Company	
	Notes	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Prepayments		**14,330**	14,485	**19**	21
Deposits and other receivables		**21,665**	16,028	**66**	250
Loan to a subsidiary	*(a)*	**—**	—	**7,407**	7,059
Due from subsidiaries	*(a)*	**—**	—	**26,627**	24,096
Due from jointly-controlled entities	*(a)*	**370**	1,045	**—**	—
Due from non-controlling equity holders	*(a)*	**4,341**	3,644	**1,852**	1,765
Due from BEGCL	*(b)*	**83,291**	—	**—**	—
Due from a related company	*(a)*	**190**	—	**—**	—
		124,187	35,202	**35,971**	33,191
Impairment	*(c)*	**(6,436)**	(5,338)	**—**	—
		117,751	29,864	**35,971**	33,191

Notes:

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

(b) The amount due from BEGCL represented the outstanding consideration receivable in connection with the Group's disposal of its 43% equity interest in BMAC. Pursuant to the Disposal Agreement, BEGCL is required to settle the aggregate consideration of RMB96,380,000 (equivalent to HK$118,258,000) by four cash instalments. As at 31 December 2011, the first instalment of RMB28,914,000 (equivalent to HK$35,477,000) has been settled by BEGCL and the remaining balance of RMB67,466,000 (equivalent to HK$83,291,000) is payable as to RMB28,914,000 (equivalent to HK$35,695,000), RMB19,276,000 (equivalent to HK$23,798,000) and RMB19,276,000 (equivalent to HK$23,798,000) by 31 December 2011, 30 June 2012 and 31 December 2012, respectively. Further details of the disposal of BMAC are set out in the Company's circular dated 30 May 2011 and note 18(c) to the financial statements.

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

Notes: (continued)

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**5,338**	7,865	**—**	2,927
Impairment during the year recognised in the income statement, net *(note 7)*	**834**	—	**—**	—
Amount written off as uncollectible	**—**	(3,030)	**—**	(3,030)
Exchange realignment	**264**	503	**—**	103
At 31 December	**6,436**	5,338	**—**	—

25. Pledged Deposits and Cash and Cash Equivalents

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances other than time deposits	*(a)*	**370,608**	236,800	**157,349**	101,368
Time deposits	*(a)*	**347,600**	382,909	**267,284**	288,171
Less: Pledged deposits	*(b)*	**(1,173)**	(119)	**—**	—
Cash and cash equivalents		**717,035**	619,590	**424,633**	389,539

Notes:

(a) At 31 December 2011, the total cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$512,585,000 (2010: HK$394,642,000). 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 2011 and 2010 served as tender deposits to secure certain system integration 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 payment due date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Not past due	**84,448**	101,126
Past due:		
Less than 3 months	**9,509**	41,291
4 to 6 months	**1,049**	362
7 to 12 months	**217**	284
Over 1 year	**36,384**	7,406
	131,607	150,469
Portion classified as current liabilities	**(118,081)**	(135,430)
Non-current portion	**13,526**	15,039
Comprising amounts payable to:		
Third parties	**124,102**	144,584
Associates	**5,074**	5,885
A related company	**2,431**	—
	131,607	150,469

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

27. Other Payables and Accruals

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Receipt in advance	**41,789**	24,052	**5,915**	3,652
Other payables	**37,048**	29,406	**949**	855
Accruals	**5,715**	10,098	**3,063**	2,592
Due to a subsidiary	**—**	—	**2,370**	1,738
Due to a jointly-controlled entity	**12**	12	**—**	—
Due to associates	**3,692**	23,683	**—**	—
Due to a non-controlling equity holder	**20,000**	—	**—**	—
	108,256	87,251	**12,297**	8,837

The balances with a subsidiary, a jointly-controlled entity, the associates and a non-controlling equity holder 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 2011 and 2010 represented government grants received from a government authority in Mainland China in respect of the fitness card system businesses carried out by Beijing Fitness Card. The government grants shall be applied to the development of the Group's fitness card system business and are recognised in accordance with the accounting policy for "Government grants" set out in note 2.4 to the financial statements.

29. Share Capital

Shares

	2011	2010
	HK$'000	HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$1 each	**1,000,000**	1,000,000
Issued and fully paid:		
677,460,150 ordinary shares of HK$1 each	**677,460**	677,460

There was no movement in the share capital of the Company during the years ended 31 December 2011 and 2010.

Share options

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

30. Share Option Scheme

On 31 May 2011, a new share option scheme (the "Scheme") is adopted by the shareholders at the annual general meeting of the Company and replaced the old share option scheme adopted by the Company on 18 June 2001. The purpose of the Scheme is (i) to attract and retain the best quality personnel for the development of the Company's business; (ii) to provide incentives or rewards to eligible participants; and (iii) to promote the long term financial success of the Company by aligning the interests of grantees to shareholders. Eligible participants of the Scheme include (i) any person employed by the Company or a subsidiary of the Company and any person who is an officer of director (whether executive or non-executive) of the Company or any subsidiary of the Company; (ii) any non-executive director and any independent non-executive director or officer of any member of the Group; and (iii) any consultant of any member of the Group. The Scheme became effective on 31 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

30. Share Option Scheme *(continued)*

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

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the date of acceptance of the share options or after a certain vesting period and ends on a date which is not later than 10 years from the date on which the offer of the share options or the expiry date of the Scheme, if 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 following table sets out the movements in the share options granted under the Scheme during the years ended 31 December 2011 and 2010:

		2011		2010	
	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		**3.74**	**61,240,000**	3.70	68,540,000
Granted during the year	*(a)*	**1.25**	**51,420,000**	—	—
Forfeited during the year	*(c)*	**4.03**	**(900,000)**	3.41	(7,300,000)
Lapsed during the year	*(d)*	**3.73**	**(60,340,000)**	—	—
At 31 December	*(e)*	**1.25**	**51,420,000**	3.74	61,240,000

Notes:

(a) The fair value of the share options granted during the year was estimated as at the date of grant, using the Black-Scholes-Merton option pricing model and taking into account the terms and conditions upon which the options were granted, at HK$27,882,000 (2010: Nil), which was fully recognised by the Group in the consolidated income statement as an equity-settled share option expense during the year ended 31 December 2011.

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

30. Share Option Scheme *(continued)*

Notes: (continued)

(a) *(continued)*

The fair value of a share option varies with different variables determined by certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of a share option. The following table lists the input to the model used:

Dividend yield (%)	—
Expected volatility (%)	53.91
Risk-free interest rate (%)	0.71 to 1.40
Expected life of share options (years)	3 to 5

The expected life of the share options is based on the assessment by the management and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the volatility for the last 520 days is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

No share option was granted during the year ended 31 December 2010.

(b) No share option was exercised during the years ended 31 December 2011 and 2010.

(c) 900,000 (2010: 7,300,000) share options were forfeited during the year upon the expiry of the three-month post-resignation exercisable period of an employee (2010: a director and an employee). Accordingly, the portion of share option reserves of HK$1,022,000 (2010: HK$7,055,000) was transferred to accumulated losses.

(d) 60,340,000 (2010: Nil) share options lapsed during the year upon the expiry of the old share option scheme on 17 June 2011. Accordingly, the portion of share option reserves of HK$62,992,000 (2010: Nil) was transferred to accumulated losses.

(e) At 31 December 2011, the Company had 51,420,000 (2010: 61,240,000) share options outstanding under the Scheme, which represented approximately 7.6% (2010: 9.0%) 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**	**2011**	2010
30 October 2007 — 17 June 2011	4.03	—	50,480,000
1 May 2008 — 17 June 2011	3.17	—	2,860,000
11 August 2008 — 17 June 2011	2.07	—	7,900,000
21 June 2011 — 20 June 2021	1.25	**51,420,000**	—
		51,420,000	61,240,000

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 51,420,000 (2010: 61,240,000) additional ordinary shares of the Company and additional share capital of HK$51,420,000 (2010: HK$61,240,000) and share premium of HK$12,855,000 (2010: HK$167,614,000), before any issuance expenses and without taking into account of any transfer of share option reserve to the share premium account.

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 on page 28 of the financial statements.

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

(iii) The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payment transactions in note 2.4 to the financial statements. The amount will either 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 and associates. None of the Group's PRC reserve funds as at 31 December 2011 was distributable in the form of cash dividends (2010: 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 2010		170,319	9,721	71,069	(297,773)	(46,664)
Profit 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 and 1 January 2011		**170,319**	**9,721**	**64,014**	**(290,079)**	**(46,025)**
Profit and total comprehensive income for the year	11	**—**	**—**	**—**	**19,827**	**19,827**
Equity-settled share option arrangements	30(a)	**—**	**—**	**27,882**	**—**	**27,882**
Transfer of share option reserve upon the forfeiture/lapse of share options	30(c),(d)	**—**	**—**	**(64,014)**	**64,014**	**—**
At 31 December 2011		**170,319**	**9,721**	**27,882**	**(206,238)**	**1,684**

32. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2011 (2010: Nil).

At 31 December 2011, contingent liabilities of the Company not provided for in the financial statements comprised guarantees of HK$222,222,000 (2010: HK$211,765,000) in aggregate given to banks in connection with the banking facilities granted to a subsidiary, which was utilised up to HK$108,355,000 (2010: HK$66,855,000) as at 31 December 2011.

33. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from one to two years (2010: one to two years).

At 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,838**	1,974	**20**	17
In the second to fifth years, inclusive	**40**	1,201	**—**	—
	2,878	3,175	**20**	17

34. Capital Commitments

At 31 December 2011, in addition to the operating lease commitments detailed in note 33 above, the Group had capital commitments, which are authorised, but not contracted for, as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Property	**37,667**	—
Equipment	**18,804**	17,946
Intangible assets	**8,919**	8,499
	65,390	26,445

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	
	2011	2010
	HK$'000	*HK$'000*
Contracted, but not provided for	**—**	1,395
Authorised, but not contracted for	**—**	5,164
	—	6,559

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	
	2011 **HK$'000**	2010 HK$'000
With jointly-controlled entities:		
Sales of products to a jointly-controlled entity	**738**	294
Purchases of goods from a jointly-controlled entity	**5,205**	—
With associates:		
Purchases of goods from associates	**16,519**	6,663
Service fees paid to associates	**1,019**	3,926
Sub-contracting fee paid to an associate	**4,709**	1,559
Service income received from an associate	**—**	235
Acquisition of a golf club membership from an associate	**—**	1,875
With non-controlling equity holders:		
Service income received from a non-controlling equity holder	**7,639**	—
Sales of products to a non-controlling equity holder	**10,225**	—
With other related companies:		
Purchases of goods from a related company	**893**	—
Rental expenses paid to a related company	**984**	816

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

(b) **Other transactions with related parties**

(i) During the year ended 31 December 2011, the Group disposed of its 43% equity interest in BMAC to BEGCL for a total cash consideration of RMB96,380,000 (equivalent to HK$118,258,000). Further details of the transaction are included in note 18(c) to the financial statements.

(ii) On 15 September 2011 and 25 October 2011, the Company, Beijing Enterprises Holdings Limited ("BEHL"), as guarantor, and a substantial shareholder of the Company, and Idata Finance Trading Limited (the "Subscriber"), a wholly-owned subsidiary of BEHL, entered into a subscription agreement and a supplemental agreement, respectively (collectively the "Subscription Agreements"), and pursuant to which (i) the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for 177,000,000 new ordinary shares of the Company at a price of HK$1.13 per share; (ii) the Company conditionally agreed to issue and the Subscriber conditionally agreed to purchase convertible bonds of the Company with an aggregate principal of HK$300,580,000; and (iii) the Company conditionally agreed to issue standby convertible bonds with an aggregate principal of HK$3,000,150,000 to the Subscriber. Further details of the Subscription Agreements are set out in the Company's announcements dated 15 September 2011 and 25 October 2011.

At the date of approval of these financial statements, the Subscription Agreements has not yet been completed and is subject to, inter alia, approvals from the Stock Exchange and the independent shareholders of the Company.

35. Related Party Disclosures *(continued)*

(c) Outstanding balances with related parties:

(i) Details of the Group's amounts due from 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, an associate, non-controlling equity holders, BEGCL and a related company as at the end of the reporting period are disclosed in notes 23 and 24 to the financial statements, respectively.

(iii) Details of the Group's trade and bills payables and other payables due to a jointly-controlled entity, the associates, a non-controlling equity holder and a related company as at the end of the reporting period are disclosed in notes 26 and 27 to the financial statements, respectively.

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

	2011	2010
	HK$'000	HK$'000
Short term employee benefits	**4,676**	5,095
Post-employment benefits	**315**	438
Equity-settled share option expense	**26,005**	—
Total compensation paid to key management personnel	**30,996**	5,533

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

36. Financial Instruments by Category

All financial assets and liabilities of the Group and the Company as at 31 December 2011 and 2010 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 interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) 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 2011		
Floating rate:		
Pledged deposits	**1,173**	**0.63**
Bank balances	**370,222**	**0.50**
Fixed rate:		
Time deposits	**346,427**	**1.53**
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

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

(b) 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 profit/(loss) before tax and of the Group's equity due to changes in fair value of monetary assets and liabilities.

	Increase/ (decrease) in RMB rate %	**Increase/ (decrease) in profit before tax HK$'000**	**Increase/ (decrease) in equity HK$'000**
2011			
If HK$ weakens against RMB	**5**	**5,511**	**4,202**
If HK$ strengthens against RMB	**(5)**	**(5,511)**	**(4,202)**

	Increase/ (decrease) in RMB rate %	(Increase)/ decrease in loss before tax HK$'000	Increase/ (decrease) in equity HK$'000
2010			
If HK$ weakens against RMB	5	(846)	3,764
If HK$ strengthens against RMB	(5)	846	(3,764)

(c) Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from jointly-controlled entities and associates and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 32 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

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

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

(c) Credit risk *(continued)*

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.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial 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.

(e) Capital management

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

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

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

The Company is primarily a provider of equity capital to its subsidiaries. These investments are substantially funded by the Group's own capital issuance 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.

38. Event after the Reporting Period

On 14 February 2012, the Company entered into a property transfer agreement with 北京北控宏創科技有限公司, a wholly-owned subsidiary of BEHL pursuant to which the Company agreed to purchase a property situated in Mainland China at a cash consideration of RMB32,000,000 (equivalent to HK$39,507,000). The Group intends to acquire the property for investment purpose and at the same time, to use it as office premises to support the Group's current operations in Beijing which have room for further business expansion. Further details of the acquisition of property are set out in the Company's announcement dated 14 February 2012. At the date of approval of these financial statements, the transaction has not been completed and the Company had paid RMB25,600,000 (equivalent to HK$31,605,000) of the consideration.

39. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current year's presentation.

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 26 March 2012.

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

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	**185,184**	211,639	225,376	293,223	358,412
Profit/(loss) before tax	**57,516**	(26,176)	(166,542)	(431,267)	304,460
Income tax	**(8,578)**	(1,587)	(10,312)	10,576	(2,080)
Profit/(loss) for the year from continuing operations	**48,938**	(27,763)	(176,854)	(420,691)	302,380
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**—**	—	—	—	16,251
Profit/(loss) for the year	**48,938**	(27,763)	(176,854)	(420,691)	318,631
Attributable to:					
Shareholders of the Company	**54,846**	(23,460)	(158,418)	(414,598)	317,480
Non-controlling interests	**(5,908)**	(4,303)	(18,436)	(6,093)	1,151
	48,938	(27,763)	(176,854)	(420,691)	318,631

	31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**1,041,467**	925,390	933,164	1,078,566	1,539,345
Total liabilities	**(303,328)**	(281,222)	(283,295)	(265,121)	(317,969)
Net assets	**738,139**	644,168	649,869	813,445	1,221,376
Equity attributable to:					
Shareholders of the Company	**719,293**	619,228	622,770	767,826	1,172,317
Non-controlling interests	**18,846**	24,940	27,099	45,619	49,059
	738,139	644,168	649,869	813,445	1,221,376