北京發展（香港）有限公司

BEIJING DEVELOPMENT (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 154)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the "Board") of Beijing Development (Hong Kong) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**293,223**	358,412
Cost of sales		**(293,972)**	(327,470)
Gross profit/(loss)		**(749)**	30,942
Gains on deemed disposal of a partial interest in a subsidiary		**–**	69,129
Gain on disposal of a partial interest in an associate		**–**	118,628
Gains/(losses) on deemed disposal of a partial interest in an associate		**(2,394)**	251,396
Other income and gains, net	5	**12,699**	39,435
Selling and distribution costs		**(8,426)**	(16,023)
Administrative expenses		**(104,652)**	(77,205)
Other expenses, net		**(193)**	(58,200)
Finance costs		**–**	(2,610)
Share of profits and losses of:			
Jointly-controlled entities		**889**	(56,225)
Associates		**(17,982)**	5,193
Impairment of an interest in an associate	6	**(310,459)**	–

	Notes	**2008** *HK$'000*	2007 *HK$'000*
PROFIT/(LOSS) BEFORE TAX	*7*	**(431,267)**	304,460
Tax	*8*	**10,576**	(2,080)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(420,691)**	302,380
DISCONTINUED OPERATION			
Profit for the year from the discontinued operation		**–**	16,251
PROFIT/(LOSS) FOR THE YEAR		**(420,691)**	318,631
Attributable to:			
Shareholders of the Company:			
Continuing operations		**(414,598)**	307,924
Discontinued operation		**–**	9,556
		(414,598)	317,480
Minority interests		**(6,093)**	1,151
		(420,691)	318,631
PROPOSED FINAL DIVIDEND	*9*	**–**	54,702
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*10*		
Basic			
– For profit/(loss) for the year (HK cents)		**(60.62)**	48.45
– For profit/(loss) from continuing operations (HK cents)		**(60.62)**	46.99
Diluted			
– For profit for the year (HK cents)		**N/A**	47.46
– For profit from continuing operations (HK cents)		**N/A**	46.01

CONSOLIDATED BALANCE SHEET

31 December 2008

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

	Note	**2008**	2007
		HK$'000	*HK$'000*
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		**677,460**	681,481
Reserves		**90,366**	436,134
Proposed final dividend	*9*	**–**	54,702
		767,826	1,172,317
Minority interests		**45,619**	49,059
Total equity		**813,445**	1,221,376

Notes:

1. **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for (i) investment properties, which have been measured at fair value; and (ii) certain buildings, which are stated at valuation at 31 December 1994, as further explained in the financial statements. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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

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

2. **IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

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

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

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

3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[2]
Amendments to HKFRS 7	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*[1]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and measurement – Embedded Derivatives*[5]

1 *Effective for annual periods beginning on or after 1 January 2009.*
2 *Effective for annual periods beginning on or after 1 July 2009.*
3 *Effective for annual periods beginning on or after 1 July 2008.*
4 *Effective for annual periods beginning on or after 1 October 2008.*
5 *Effective for annual periods ending on or after 30 June 2009.*

4. SEGMENT INFORMATION

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

The discontinued operation presented in these financial statements represented the restaurant operation which was operated in Mainland China, Thailand, Indonesia, Singapore and Malaysia and was discontinued during the year ended 31 December 2007.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Construction contracts	**210,045**	265,289
Sale of softwares	**59,799**	43,528
Rendering of services	**20,467**	46,002
Gross rental income	**2,912**	3,593
Receipts from restaurant operation	**–**	143,784
	293,223	502,196
Attributable to:		
Continuing operations reported in the consolidated income statement	**293,223**	358,412
Discontinued operation	**–**	143,784
	293,223	502,196

	2008	2007
	HK$'000	*HK$'000*
Other income		
Bank interest income	**10,378**	13,993
Imputed interest on interest-free trade and other receivables with extended credit periods	**1,094**	2,315
Investment income	**837**	–
Compensation for termination of a contract	**–**	14,755
Government grants*	**–**	878
Others	**390**	1,950
	12,699	33,891
Gains, net		
Fair value gains on investment properties	**–**	4,265
Gain on disposal of interests in subsidiaries, net	**–**	4,017
Gain on disposal of available-for-sale investments carried at cost	**–**	1,095
Gain on disposal of items of property, plant and equipment, net	**–**	922
	–	10,299
Other income and gains, net	**12,699**	44,190
Attributable to:		
Continuing operations reported in the consolidated income statement	**12,699**	39,435
Discontinued operation	**–**	4,755
	12,699	44,190

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

6. IMPAIRMENT OF AN INTEREST IN AN ASSOCIATE

An impairment provision of HK$310,459,000 against the Group's interests in China information Technology Development Limited ("CITD", a 29.18% indirectly-owned associate of the Company) was recognised in the consolidated income statement for the year ended 31 December 2008, further details of which are set out in the "Impairment loss of CITD" in the Financial Review section in the Management Discussion and Analysis of this announcement.

7. PROFIT/(LOSS) BEFORE TAX

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

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**262,305**	332,862
Cost of services provided	**31,667**	59,352
Depreciation	**2,487**	7,195
Operating lease rentals for land and buildings:		
Minimum lease payments	**8,475**	12,810
Contingent rents	**–**	1,381
	8,475	14,191
Amortisation of other intangible assets[@]	**2,730**	2,690
Impairment of goodwill [#]	**–**	58,412
Impairment of an available-for-sale investment carried at fair value[*]	**–**	734
Impairment of an amount due from an associate	**33**	3,973
Impairment/(reversal of impairment) of trade and bills receivables, net	**(1,656)**	9,034
Impairment/(reversal of impairment) of other receivables, net	**(1,150)**	6,711
Provision for inventories, net	**1,008**	–
Loss/(gain) on disposal of items of property, plant and equipment, net	**2**	(922)
Loss/(gain) on disposal of interests in subsidiaries, net	**470**	(4,017)
Auditors' remuneration:		
Current year's provision	**2,580**	3,082
Prior year's (over)/underprovision	**(142)**	48
	2,438	3,130
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**39,078**	49,459
Pension scheme contributions	**1,852**	1,736
Equity-settled share option expense	**52,301**	13,819
	93,231	65,014
Net rental income	**(844)**	(1,379)
Foreign exchange differences, net	**390**	184

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

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

* *The impairment of an available-for-sale investment for the year ended 31 December 2007 is included in "Other expenses, net" on the face of the consolidated income statement.*

8. TAX

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

During the year ended 31 December 2007, in accordance with the relevant tax rules and regulations of the PRC, certain of the Company's subsidiaries, jointly-controlled entities and associates in Mainland China enjoy income tax exemptions and reductions and are subject to income tax rates ranging from 7.5% to 15%. Upon the adoption of the PRC Corporate Income Tax Law concluded during the 5th Session of the 10th National People's Congress on 16 March 2007, income tax rate of the Company's subsidiaries, jointly-controlled entities and associates in Mainland China were standardised at 25% from 1 January 2008.

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

9. PROPOSED FINAL DIVIDEND

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

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

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

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

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

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

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

11. TRADE AND BILLS RECEIVABLES

The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. An aged analysis of the trade and bills receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade and bills receivables are non-interest-bearing.

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

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

12. TRADE AND BILLS PAYABLES

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**71,115**	185,867
4 to 6 months	**4,460**	16,213
7 to 12 months	**25,638**	5,516
Over 1 year	**45,002**	8,002
	146,215	215,598

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

1. *Smart Cards and Related Projects*

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

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

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

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

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

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

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

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

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

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

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

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

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

2. *Rail Transportation and Other System Integration Project*

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

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

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

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

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

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

Prospects

Looking ahead, the predicament caused by global financial crises will prevail in 2009, the management will remain cautious and proactively strengthen risk management with an insight. The Group will continue its development strategies with the focus on electronic payment and settlement, and will adjust itself and the allocation of its internal resources in response to the changes of the macroeconomic environment. The Group will strive to enhance the profitability of its existing business segments on the one hand and proactively develop new profitable businesses on the other.

1. *Implementation of business agreement for Smart Cards and Further Expansion of the Application of Smart Cards to Small Transactions*

   One of the major tasks of the Group in 2009 will be to actively explore, realise and strengthen the revenue from the core business of Smart Cards, and expand its application to small transactions. We will also cooperate with the relevant government authorities in order to stabilise revenue from handling charges for bus and subway settlement.

2. *Proactively Securing New Rail Transportation Related Projects*

   According to the plan of Beijing Municipal Government, the length of railway in Beijing city will reach 300 kilometers in 2010. As such, 2009 will be an important year for securing tenders for various new subway lines. The Group will use its best endeavour to secure such tenders by capitalising on all of its market development efforts in rail transportation and successful track records, and will proactively secure repair and maintenance contracts for the existing and future rail transportation related projects.

Financial Review

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

1. *Impairment loss of CITD*

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

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

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

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

2. *Operating Loss*

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

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

Financial Position

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

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

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

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

Employees

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

EXTRACTS OF INDEPENDENT AUDITORS' REPORT

Basis for qualified opinion

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

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

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the amounts concerning the interests in CITD and the CITD Holding Subsidiaries recorded in the Group's and the Company's financial statements, respectively, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

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

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

PURCHASE, REDEMPTION, OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK$1,196,000 was charged to then retained profit of the Company. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount of HK$9,721,000 equivalent to the par value of the shares cancelled was transferred from the then retained profit of the Company to the capital redemption reserve.

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

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 31 December 2008.

CORPORATE GOVERNANCE PRACTICES

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

(1) Code Provision A.1.1 stipulates members of the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals and such regular board meetings will normally involve the active participation, either in person or through other electronic means of communication. However, the Company considers it is more efficient to hold board meetings to address emerging issues as appropriate.

(2) Code Provision A.4.1 stipulates non-executive directors should be appointed for a specific term, subject to re-election. However, none of the existing non-executive directors of the Company is appointed for a specific term. All of the non-executive directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS ("MODEL CODE")

The Company has adopted Appendix 10 "Model Code" to the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirm that they complied with the "Model Code" during the year ended 31 December 2008.

AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive directors of the Company, Dr. Huan Guocang, Dr. Jin Lizuo and Dr. Wang Jianping. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting process and internal controls of the Company. The annual results have been reviewed by the Audit Committee.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The Company's annual report containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.bdhk.com.hk) in due course.

APPRECIATION

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

By order of the Board
E Meng
Chairman

Hong Kong, 30 March 2009

As at the date of this announcement, the executive directors of the Company are Mr. E Meng, Mr. Zhang Honghai, Mr. Wang Yong, Mr. Cao Wei, Mr. Yan Qing and Mr. Ng Kong Fat, Brian, and the independent non-executive directors of the Company are Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping.