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 2010

HIGHLIGHTS

- Revenue for the year ended 31 December 2010 decreased by 6.1% to HK$211.64 million as compared with last year.
- Loss attributable to shareholders of the Company for the year ended 31 December 2010 decreased by 85.2% to HK$23.46 million as compared with last year.
- Loss per share attributable to shareholders of the Company amounted to HK3.46 cents.
- Net assets as at 31 December 2010 amounted to HK$644.17 million, decreased by HK$5.7 million as compared to 31 December 2009.
- The Board does not recommend the payment of any dividend for the year ended 31 December 2010.

The board of directors (the "Board") of Beijing Development (Hong Kong) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	*2010* HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Equipment		**9,423**	10,559
Investment properties		**44,771**	43,764
Goodwill		**10,000**	10,000
Other intangible assets		**5,109**	5,110
Investments in jointly-controlled entities		**14,565**	12,562
Investments in associates		**21,037**	23,259
Trade receivables	*9*	**29,875**	23,440
Deferred tax assets		**1,672**	3,023
Total non-current assets		**136,452**	131,717
CURRENT ASSETS			
Inventories		**4,610**	7,749
Amounts due from contract customers		**2,742**	6,866
Trade receivables	*9*	**131,486**	94,585
Prepayments, deposits and other receivables		**29,864**	56,844
Income tax recoverable		**527**	1,627
Pledged deposits		**119**	4,489
Cash and cash equivalents		**619,590**	629,287
Total current assets		**788,938**	801,447
CURRENT LIABILITIES			
Trade and bills payables	*10*	**135,430**	134,618
Amounts due to contract customers		**8,185**	9,503
Other payables and accruals		**87,251**	89,300
Income tax payables		**23**	239
Total current liabilities		**230,889**	233,660
NET CURRENT ASSETS		**558,049**	567,787
TOTAL ASSETS LESS CURRENT LIABILITIES		**694,501**	699,504
NON-CURRENT LIABILITIES			
Trade and bills payables	*10*	**15,039**	15,544
Deferred income		**35,294**	34,091
Total non-current liabilities		**50,333**	49,635
Net assets		**644,168**	649,869
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		**677,460**	677,460
Reserves		**(58,232)**	(54,690)
		619,228	622,770
Non-controlling interests		**24,940**	27,099
Total equity		**644,168**	649,869

NOTES TO THE FINANCIAL STATEMENTS:

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

Basis of consolidation from 1 January 2010

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

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

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

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

Basis of consolidation prior to 1 January 2010

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

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

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

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

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

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

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

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

3. 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 4.

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

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

4. REVENUE, OTHER INCOME AND GAIN

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

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

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

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Imputed interest on interest-free trade payables with extended credit periods	**6,223**	–

6. LOSS BEFORE TAX

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

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

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

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

7. INCOME TAX

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

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

8. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

9. TRADE RECEIVABLES

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

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

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

10. TRADE AND BILLS PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**41,291**	7,374
4 to 6 months	**362**	315
7 to 12 months	**284**	570
Over 1 year	**7,406**	9,471
Balances with extended credit periods	**101,126**	132,432
	150,469	150,162
Portion classified as current liabilities	**(135,430)**	(134,618)
Non-current portion	**15,039**	15,544

DIVIDEND

The Board do not recommend the payment of any dividend in respect of the year (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

I. Electronic Payment and Settlement Business

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

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

II. System Integration Business

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

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

III. IT Related Services on Education Business

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

IV. Others

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

Prospects

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

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

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

Financial Review

Revenue

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

Cost of sales

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

Gross profit/(loss)

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

Other income and gain, net

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

Selling and distribution costs

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

Administrative expenses

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

Other expenses, net

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

Finance costs

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

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

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

Income tax

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

Loss for the year

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

Financial Position

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

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

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

Employees

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

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.

CORPORATE GOVERNANCE

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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the period under review, except Code Provisions A.1.1 and A.4.1.

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

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

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors. All the directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2010.

Audit Committee

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

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

The audit committee has reviewed the Group's results for the year ended 31 December 2010.

Remuneration Committee

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

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

Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. The Company convened meeting periodically to discuss financial, operational and risk management control. During the year ended 31 December 2010, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2010 annual report containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (http://www.hkexnews.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 partners from different sectors for their support to the Group over the past year.

By order of the Board
E Meng
Chairman

Hong Kong, 31 March 2011

As at the date of this announcement, the executive directors of the Company are Mr. E Meng, Mr. Zhang Honghai, Mr. Wang Yong, Mr. Yan Qing, Ms Sha Ning 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.