北京發展(香港)有限公司
BEIJING DEVELOPMENT (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability under Companies Ordinance)

(Stock code: 154)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

- Revenue for the year ended 31 December 2012 increased by 12.5% to HK$208.39 million as compared with last year.
- Loss attributable to shareholders of the Company was HK$18.83 million, as compared with the profit of HK$54.85 million in 2011.
- Loss per share attributable to shareholders of the Company amounted to HK2.78 cents.
- Net assets as at 31 December 2012 amounted to HK$715.18 million, decreased by HK$22.96 million as compared to 31 December 2011.
- The Board does not recommend the payment of any dividend for the year ended 31 December 2012.

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 2012 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
REVENUE	*4*	**208,387**	185,184
Cost of sales		**(187,856)**	(158,986)
Gross profit		**20,531**	26,198
Gain on disposal of a jointly-controlled entity		**—**	122,041
Other income and gains	*4*	**31,991**	26,226
Selling and distribution expenses		**(5,920)**	(9,639)
Administrative expenses		**(65,171)**	(89,452)
Other expenses, net		**(1,154)**	(13,363)
Finance costs	*5*	**(4,507)**	(4,087)
Share of profits and losses of:			
Jointly-controlled entities		**679**	112
Associates		**(2,964)**	(520)
PROFIT/(LOSS) BEFORE TAX	*6*	**(26,515)**	57,516
Income tax	*7*	**(135)**	(8,578)
PROFIT/(LOSS) FOR THE YEAR		**(26,650)**	48,938
Attributable to:			
Shareholders of the Company		**(18,833)**	54,846
Non-controlling interests		**(7,817)**	(5,908)
		(26,650)	48,938
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*8*		
– Basic and diluted *(HK cents)*		**(2.78)**	8.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(26,650)**	48,938
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange fluctuation reserve:		
Translation of foreign operations	—	20,628
Release upon deemed partial disposal of interests in a subsidiary	**(125)**	—
Release upon disposal of a jointly-controlled entity	—	(4,119)
Release upon deemed partial disposals of interests in an associate	**(1,567)**	—
Share of other comprehensive loss of an associate	**(32)**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(1,724)**	16,509
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(28,374)**	65,447
Attributable to:		
Shareholders of the Company	**(20,557)**	71,541
Non-controlling interests	**(7,817)**	(6,094)
	(28,374)	65,447

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property and equipment		**12,532**	9,718
Investment properties		**45,812**	45,837
Other intangible assets		**3,576**	2,496
Investment in a jointly-controlled entity		**12,352**	12,093
Investments in associates		**24,063**	19,034
Trade receivables	*9*	**9,681**	15,613
Prepayment		**31,605**	—
Total non-current assets		**139,621**	104,791
CURRENT ASSETS			
Inventories		**7,967**	14,702
Amounts due from contract customers		**909**	909
Trade receivables	*9*	**78,781**	85,106
Prepayments, deposits and other receivables		**85,421**	117,751
Pledged deposits		**5,779**	1,173
Cash and cash equivalents		**647,050**	717,035
Total current assets		**825,907**	936,676
CURRENT LIABILITIES			
Trade and bills payables	*10*	**79,958**	118,081
Amounts due to contract customers		**7,173**	9,788
Other payables and accruals		**102,146**	108,256
Income tax payables		**6,590**	6,762
Total current liabilities		**195,867**	242,887
NET CURRENT ASSETS		**630,040**	693,789
TOTAL ASSETS LESS CURRENT LIABILITIES		**769,661**	798,580
NON-CURRENT LIABILITIES			
Trade payables	*10*	**11,036**	13,526
Deferred income		**43,444**	46,915
Total non-current liabilities		**54,480**	60,441
Net assets		**715,181**	738,139
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		**677,460**	677,460
Reserves		**22,341**	41,833
		699,801	719,293
Non-controlling interests		**15,380**	18,846
Total equity		**715,181**	738,139

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, 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 2012. 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it 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. Changes in Accounting Policy and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's 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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*

HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

3. Operating Segment Information

Over 90% of the Group's revenue, expenses and assets are generated from the provision of information technology ("IT") related services in Mainland China. The management of the Group makes decisions about resources allocation and assesses performance of the Group based on the operating 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 ("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 two external customers (2011: one) which individually contributed to over 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out below:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**41,202**	44,903
Customer B	**24,590**	*

* *Less than 10% of the Group's total revenue*

4. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents (i) 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; and (ii) the value of services rendered, net of business tax during the year.

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

	Notes	2012 HK$'000	2011 HK$'000
Revenue			
Sale of IT related products		**119,352**	123,994
Maintenance contracts		**21,803**	27,662
Software development contracts		**17,165**	17,137
System integration contracts		**50,067**	16,391
		208,387	185,184
Other income			
Bank interest income		**11,585**	7,037
Imputed interest on interest-free trade receivables with extended credit periods		**5,154**	14,676
Government grants released	*(a)*	**2,469**	2,468
Others		**3,191**	2,045
		22,399	26,226
Gains			
Gains on deemed partial disposals of interests in an associate	*(b)*	**9,592**	—
		31,991	26,226

Notes:

(a) 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 北京北控文化體育有限公司 ("BG Culture"), previously known as Beijing Fitness Card Co., Ltd., a 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. There are no unfulfilled conditions or contingencies relating to these grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position.

(b) The gains on deemed partial disposals of interests in an associate recognised during the year arose from the dilution of the Group's equity interest in China Information Technology Development Limited ("CITD") from approximately 29.18% to 21.10% upon the placing of 100,000,000 (as adjusted by the ten-to-one share consolidation carried out by CITD on 2 August 2012) and 149,000,000 new ordinary shares by CITD in June 2012 and October 2012, respectively.

5. Finance Costs

Finance costs of the Group for the years ended 31 December 2012 and 2011 represented imputed interest on interest-free trade payables with extended credit periods.

6. Profit/(Loss) Before Tax

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

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**105,727**	106,949
Cost of services provided	**82,129**	48,259
Write-down of inventories to net realisable value[@]	**—**	327
Depreciation	**2,799**	2,974
Minimum lease payments under operating leases of land and buildings	**9,083**	9,001
Fair value loss on investment properties[#]	**25**	1,144
Impairment of goodwill[#]	**—**	10,000
Amortisation of other intangible assets[@]	**797**	2,820
Impairment of an amount due from an associate[#]	**33**	31
Impairment of trade receivables, net[#]	**931**	876
Impairment of other receivables, net[#]	**116**	834
Loss on disposal of items of property and equipment, net[#]	**6**	11
Auditors' remuneration	**2,080**	2,200
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**41,628**	39,641
Equity-settled share option expense	**—**	27,882
Pension scheme contributions	**4,164**	4,336
	45,792	71,859
Foreign exchange differences, net	**461**	864

@ 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.

7. Income Tax

No provision for Hong Kong profits tax has been made for the year ended 31 December 2012 as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2012	2011
	HK$'000	*HK$'000*
Current – Mainland China		
Charge for the year	**60**	6,762
Underprovision in prior years	**75**	61
Deferred	**—**	1,755
Total tax charge for the year	**135**	8,578

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

The calculation of the basic loss (2011: earnings) per share amounts is based on the loss (2011: profit) for the year attributable to shareholders of the Company and the weighted average of 677,460,150 (2011: 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 2012 and 2011 as the share options of the Company and CITD outstanding during these years have an anti-dilutive effect and no dilutive effect, respectively, on the respective basic earnings/(loss) per share amounts for these years.

9. Trade Receivables

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. Trade receivables are non-interest-bearing and the Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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:

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**60,246**	68,836
Past due but not impaired:		
Within 3 months	**25,732**	18,777
4 to 6 months	**1,124**	39
7 to 12 months	**411**	10,564
Over 1 year	**949**	2,503
	28,216	31,883
	88,462	100,719
Portion classified as current assets	**(78,781)**	(85,106)
Non-current portion	**9,681**	15,613

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 payment due date, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Not past due	**66,872**	84,448
Past due:		
Less than 3 months	**10,015**	9,509
4 to 6 months	**3**	1,049
7 to 12 months	**609**	217
Over 1 year	**13,495**	36,384
	90,994	131,607
Portion classified as current liabilities	**(79,958)**	(118,081)
Non-current portion	**11,036**	13,526

11. Dividend

The Board does not recommend the payment of any dividend in respect of the year (2011: Nil).

12. Events After the Reporting Period

Subsequent to the end of the reporting period, the following significant events occurred:

(a) On 15 September 2011, 25 October 2011, 29 March 2012 and 12 December 2012, the Company, Beijing Enterprises Holdings Limited ("BEHL", a substantial shareholder of the Company) (as guarantor) and Idata Finance Trading Limited (the "Subscriber"), a wholly-owned subsidiary of BEHL, entered into a subscription agreement, a supplemental agreement, and two further supplemental agreements (collectively the "Subscription Agreements"), respectively, 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 at an initial conversion price of HK$1.13 per share; and (iii) the Company conditionally agreed to issue and the Subscriber conditionally agreed to purchase standby convertible bonds with an aggregate principal of HK$3,000,150,000 at an initial conversion price of HK$1.13 per share. Further details of the Subscription Agreements are set out in the Company's circular dated 21 December 2012.

The transactions were approved by the shareholders of the Company at the extraordinary general meeting held on 11 January 2013 and the movements in the share capital of the Company are summarised below:

(i) On 11 January 2013, the authorised share capital of the Company was increased from HK$1,000,000,000 to HK$5,000,000,000 by the creation of an additional 4,000,000,000 ordinary shares of HK$1 each.

(ii) On 28 February 2013, (i) 177,000,000 new ordinary shares of HK$1 each were issued at a price of HK$1.13 per share to the Subscriber; and (ii) convertible bonds of the Company with an aggregate principal of HK$300,580,000 and an initial conversion price of HK$1.13 per share were issued to the Subscriber. The aggregate gross proceeds (before expenses) from the new ordinary shares issued and the convertible bonds are HK$500,590,000.

(b) On 5 February 2013, Business Net Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with QIFA Holdings Limited, an indirectly wholly-owned subsidiary of 北京控股集團有限公司 (a substantial shareholder of the Company) to transfer of its entire issued share capital of Alison Development Limited ("Alison"), an indirectly wholly-owned subsidiary of the Company, and the indebtedness advanced by the Company to Alison for a cash consideration of HK$8,500,000. Further details of the transaction are set out in the Company's announcement dated 5 February 2013. Alison is an investment holding company and its sole investment is a 59.5% equity interest in BG Culture. The transaction was completed on 6 February 2013 and an unaudited gain on disposal of approximately HK$1,500,000 will be recognised in the consolidated income statement during the year ending 31 December 2013.

CHAIRMAN'S STATEMENT

Information technology service has been the principal business segment of the Group over the past decade. Despite years of operation and development, the businesses of the Group were shrinking and had been continuously operating at loss for the recent years due to weak profitability and limited asset scale, especially after the disposal of its investment in Beijing Municipal Administration & Communication Cards Co., Ltd. in 2011.

In order to enhance shareholders' return as well as to achieve a turnaround of the business, the Group, with the unprecedented substantial support from its holding company, BEHL, has decided to restructure its current business portfolio and make a strategic transition into the environmental protection and solid waste treatment industry, especially in the waste-to-energy sector, and aims to become an industry leader through investments in and acquisitions of waste-to-energy projects.

Waste-to-energy industry is characterised by growth prospects, government policy support, sustainable returns, steady and strong cash flows, which will effectively enhance the operational and financial performance of the Group. Furthermore, the Group will benefit from BEHL's extensive experience and leading position in utilities businesses and capital market, solid operation and financial track record and strong government support.

During the year of 2012, the Company has announced three transactions in relation to the investment and acquisition of waste-to-energy business, that is, the Framework Agreements for Shanxi and Hangzhou projects and the Increase in Capital Contract for Haidian project. In addition, the Company is in the process of identifying other potential waste-to-energy projects and exploring new investment opportunities.

Under the Subscription Agreement dated 15 September 2011, BEHL has completed the subscription for new shares and convertible bonds of the Company of an aggregate amount of HK$500 million by the end of February 2013. The additional standby convertible bonds of an aggregate amount of HK$3 billion will help the Company achieve its business transformation and be well positioned and equipped to enter into the waste-to-energy industry and to further capture attractive growth opportunities in the future.

In the development of the waste-to-energy projects, the Company will consistently adhere to the development strategy focused on economic benefits with scrupulous and conscientious selection for the projects. Rapid development will be based on the prerequisite of securing the rate of return.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the year under review, the Group is engaged in two principal business areas – system integration and information technology services.

During the year, the Group has fully completed the safety door project for Line 9 and automated fare collection system phase II for Line 8 of Beijing Subway. Due to the decline in the profit margins of the system integration projects and the volume of successful bids in Beijing rail transportation sector, the Group has strived to redevelop its intelligent building construction business, explore the new outsourcing services and establish the rail transportation spare parts selling agent platform. During the year, the Group has contracted for the construction and maintenance of 12333 Hotline Calling Centre of Beijing Municipal Human Resources and Social Security Bureau.

In respect of other information technology services, the Group continuously focused on Beijing education sector and responsible for the construction and maintenance of Beijing education information network, e-schools and teacher/student IC cards. During the year, the Group also participated into the automatic welfare lottery ticket point-of-sale terminal market in Beijing.

The Group has decided to restructure its current business portfolio and make a strategic business transformation into the environmental protection and solid waste treatment industry.

Firstly, the Company had entered into a framework agreement for the investment and cooperation in Shanxi domestic waste-to-energy projects on 30 May 2012. The Group will have 33% equity interest in the proposed strategic cooperation partnership.

Secondly, the Company had entered into a framework agreement for the proposed acquisition of 100% equity interest in Green Energy Holding Company Limited in Hangzhou on 17 September 2012. The total consideration payable for the proposed acquisition is preliminary estimated to be ranged from US$530 million to US$535 million and will be settled by issuing consideration shares and/or convertible bonds of the Company.

As of today, the concrete investment and cooperation arrangements of the above framework agreements are subject to further negotiations, due diligence and definitive agreements to be entered into by the relevant parties.

Thirdly, the Group had entered into an increase of capital contract in relation to the proposed formation of an equity joint venture for investing, constructing and operating the Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Project on 28 June 2012. Pursuant to the contract, the Group will (i) inject RMB256 million and a maximum amount of RMB27.55 million to the joint venture as an additional registered capital and equity premium of the joint venture, respectively; and (ii) make available shareholder's loans of an aggregate amount of RMB644 million to the joint venture. As of today, these transactions are subject to, inter alia, approvals from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the shareholders of the Company and have not yet been completed.

Further details of the above proposed waste-to-energy projects may refer to the section headed "Use of Proceeds" in the "Letter from the Board" of the Company's circular dated 21 December 2012.

Financial Review

Revenue
The Group's revenue in 2012 was HK$208.39 million, increased 12.5% as compared with HK$185.18 million in 2011. This was mainly driven by the increase in revenue from system integration contracts of HK$33.68 million recognised during the year.

Cost of sales
The Group's cost of sales in 2012 was HK$187.86 million, increased 18.2% as compared with HK$158.99 million in 2011.

Gross profit
The Group achieved a gross profit of HK$20.53 million in 2012, dropped 21.6% as compared with HK$26.20 million in 2011. The overall gross profit margin reduced from 14.1% to 9.9%. The decrease was mainly due to the increase in proportion of system integration contracts which contributed lower profit margins.

Other income and gains
The Group's other income and gains in 2012 amounted to HK$31.99 million, mainly comprised of bank interest income of HK$11.59 million, imputed interest on interest-free trade receivables with extended credit periods of HK$5.15 million and gains on deemed partial disposals of interests in an associate, CITD, of HK$9.59 million.

Selling and distribution expenses
The Group's selling and distribution expenses in 2012 decreased by 38.6% to HK$5.92 million, as compared with HK$9.64 million in 2011.

Administrative expenses
The Group's administrative expenses in 2012 increased by 5.8% to HK$65.17 million, as compared with HK$61.57 million (excluding the equity-settled share option expense of HK$27.88 million) in 2011.

Other expenses, net
The Group's other expenses in 2012 amounted to HK$1.15 million, mainly comprised of impairment of trade and other receivables of HK$1.05 million in aggregate.

Finance costs
The Group's finance costs in 2012, wholly represented the imputed interest on interest-free trade payables with extended credit periods, increased by 10.3% to HK$4.51 million.

Share of profits and losses of jointly-controlled entities
The Group's share of profits and losses of jointly-controlled entities in 2012 wholly represented its 50% share of net profit of Beijing Education Information Network Services Center Co., Ltd. of HK$0.68 million (2011: HK$0.11 million).

Share of profits and losses of associates
The Group's share of profits and losses of associates of HK$2.96 million in 2012 (2011: HK$0.52 million) substantially represented its share of net loss of CITD.

Income tax
The Group's income tax in 2012 amounted to HK$0.14 million.

Profit/(loss) for the year
The loss for the year ended 31 December 2012 was HK$26.65 million, as compared with the profit of HK$48.94 million in 2011. Taking out the effect of exceptional one-off items including (i) gain (net of tax) on disposal of a jointly-controlled entity, Beijing Municipal Administration & Communication Cards Co., Ltd., of HK$115.45 million, (ii) equity-settled share option expense of HK$27.88 million and (iii) impairment of goodwill of HK$10 million in 2011, the loss for the year ended 31 December 2012 reduced by HK$1.98 million as compared with the adjusted operating loss of HK$28.63 million in 2011.

The loss attributable to shareholders of the Company was HK$18.83 million, as compared with the profit of HK$54.85 million in 2011.

Financial Position

During the year ended 31 December 2012, there was no movement in the capital structure of the Company. As at 31 December 2012, the Group had total assets and total liabilities of HK$965.53 million and HK$250.35 million, respectively, decreased by HK$75.94 million and HK$52.98 million, respectively, as compared with 31 December 2011. The net assets of the Group decreased by HK$22.96 million from HK$738.14 million to HK$715.18 million, of which equity attributable to shareholders of the Company amounted to HK$699.80 million as at 31 December 2012.

As at 31 December 2012, the cash and bank balances held by the Group amounted to HK$652.83 million, of which HK$5.78 million were pledged as tender deposits to secure certain system integration contracts of the Group. The Group did not have any bank borrowings, nor did it hold any financial derivatives. As at 31 December 2012, the Group had a net current assets of HK$630.04 million and its current ratio was increased from 3.86 times to 4.22 times and total liabilities to assets ratio was reduced from 29.1% to 25.9%.

The Group's cash and bank balances were denominated as to 32% in Hong Kong dollars and 68% in Renminbi. The Group's businesses are principally located in Mainland China and the majority of its transactions are conducted in Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Group's functional and presentation currency, the Group will be subject to translational foreign exchange risk. All differences arising on settlement or translation of monetary items are taken to the income statement and the gains or losses arising on retranslation of foreign operations are recognised in the exchange fluctuation reserve.

During the year ended 31 December 2012, the Group had capital expenditures of HK$39.16 million. As at 31 December 2012, save as the potential investment in the environmental protection business, the Group had capital commitment of HK$35.61 million for property, equipment and intangible assets. The Group did not have any material contingent liabilities.

On 6 February 2013, the Group's investment in 59.5% equity interest in BG Culture was disposed to its substantial shareholder at a cash consideration of HK$8.5 million. Saved as disclosed above, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2012.

Subsequent to the end of 2012, the entering into by the Company of the conditional subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto) with Idata Finance Trading Limited (as "Subscriber") and BEHL (as "Guarantor") was approved, ratified and confirmed by the shareholders at the extraordinary general meeting of the Company held on 11 January 2013. On 11 January 2013, the authorised share capital of the Company was increased from HK$1 billion to HK$5 billion by the creation of an additional 4 billion ordinary shares of HK$1 each. On 28 February 2013, 177 million new ordinary shares of HK$1 each were issued at a price of HK$1.13 per share and convertible bonds of an aggregate principal of HK$300.58 million and an initial conversion price of HK$1.13 per share were issued to the Subscriber. The aggregate gross proceeds (before expenses) from the new ordinary shares issued and the convertible bonds were HK$500.59 million. Subject to the satisfaction of certain pre-conditions by the Company, the Company shall have the right to notify the Subscriber and require the Subscriber to subscribe such amount of standby convertible bonds of an aggregate principal amount of HK$3 billion as the Company may, from time to time, consider appropriate.

Employees

As at 31 December 2012, the Group had approximately 330 employees. There was no material fluctuation in the number of employees over the year. The Group's total expenses on employee benefits in 2012 amounted to HK$45.79 million, increased by 4.1% as compared with HK$43.98 million (excluding share option expense) in 2011. 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 Company has operated a share option scheme for the Group's employees and directors. No share option was granted, exercised, forfeited or lapsed during the year ended 31 December 2012. As at 31 December 2012, the Company had 51,420,000 share options outstanding, which were granted on 21 June 2011 at an exercise price of HK$1.25 per share and represented 7.6% of the Company's ordinary shares in issue at that date.

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 of the Company (the "Directors"), the Company complied with all the applicable code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and all the applicable revised code provisions (the "Code Provisions") of the Corporate Governance Code (effective from 31 March 2012) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2012, except the Code Provisions as disclosed below.

(a) Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. 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.

(b) Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive Directors to voice their views by indvidual communication with the chairman of the Board (the "Chairman").

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

(d) Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, the three independent non-executive Directors were unable to attend the annual general meeting of the Company held on 25 May 2012 (the "2012 AGM") due to other business engagements.

(e) Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration and nomination committees to attend. However, the Chairman was unable to attend the 2012 AGM and has appointed an executive Director and the president of the Company to chair the meeting on his behalf. The chairman of audit, remuneration and nomination committees were also unable to attend the 2012 AGM and have appointed the company secretary of the Company to attend the meeting and to answer questions at the meeting.

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 Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

Audit Committee

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

The role and function of the audit committee include (i) maintenance of the relationship with the Company's auditors; (ii) review of the Company's financial information; and (iii) oversight of the Company's financial reporting system and internal control procedures.

The audit committee has reviewed the Group's results for the year ended 31 December 2012, internal control, impacts of the new accounting standards and management issues of the Company.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2012 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 difficult years and looking forward all shareholders will benefit from the result of the Group's business transformation in the future.

By order of the Board
E Meng
Chairman

Hong Kong, 27 March 2013

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.