北京發展（香港）有限公司

BEIJING DEVELOPMENT (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 154)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- Revenue for the year ended 31 December 2013 amounted to HK$193.07 million, representing a decrease of 7% from HK$208.39 million as compared with last year.
- Loss attributable to shareholders of the Company amounted to HK$24.48 million, representing an increase of 30% as compared with the loss of HK$18.83 million in last year.
- Loss per share attributable to shareholders of the Company was HK2.96 cents.
- Net assets as at 31 December 2013 amounted to HK$929.06 million, increased by HK$213.88 million as compared to 31 December 2012.
- The Board does not recommend the payment of any dividend for the year ended 31 December 2013.

The board (the "**Board**") of directors (the "**Directors**") of Beijing Development (Hong Kong) Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2013 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
REVENUE	*4*	**193,067**	208,387
Cost of sales		**(156,173)**	(187,856)
Gross profit		**36,894**	20,531
Other income and gains, net	*4*	**17,848**	31,991
Selling and distribution expenses		**(6,571)**	(5,920)
Administrative expenses		**(65,444)**	(65,171)
Other operating expenses, net		**(6,241)**	(1,154)
LOSS FROM OPERATING ACTIVITIES	*5*	**(23,514)**	(19,723)
Finance costs	*6*	**(8,117)**	(4,507)
Share of profits and losses of:			
A joint venture		**(286)**	679
Associates		**2,765**	(2,964)
LOSS BEFORE TAX		**(29,152)**	(26,515)
Income tax	*7*	**40**	(135)
LOSS FOR THE YEAR		**(29,112)**	(26,650)
ATTRIBUTABLE TO:			
Shareholders of the Company		**(24,484)**	(18,833)
Non-controlling interests		**(4,628)**	(7,817)
		(29,112)	(26,650)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*8*		
– Basic and diluted (HK cents)		**(2.96)**	(2.78)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000*
LOSS FOR THE YEAR	**(29,112)**	(26,650)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserve:		
– Translation of foreign operations	**17,815**	–
– Release upon disposal of a subsidiary	**(706)**	–
– Release upon deemed partial disposal of interests in a subsidiary	**–**	(125)
– Release upon deemed partial disposals of interests in an associate	**–**	(1,567)
Share of other comprehensive loss of an associate	**(1,028)**	(32)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**16,081**	(1,724)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(13,031)**	(28,374)
ATTRIBUTABLE TO:		
Shareholders of the Company	**(10,291)**	(20,557)
Non-controlling interests	**(2,740)**	(7,817)
	(13,031)	(28,374)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets:			
Property and equipment		**9,747**	12,532
Investment properties		**47,752**	45,812
Intangible assets		**2,857**	3,576
Investment in a joint venture		**11,986**	12,352
Investments in associates		**25,910**	24,063
Trade receivables	9	**7,678**	9,681
Prepayment		**32,821**	31,605
Total non-current assets		**138,751**	139,621
Current assets:			
Inventories		**9,609**	7,967
Amounts due from contract customers		**1,331**	909
Trade receivables	9	**68,101**	78,781
Prepayments, deposits and other receivables		**36,894**	85,421
Pledged deposits		**3,200**	5,779
Cash and cash equivalents		**1,173,990**	647,050
Total current assets		**1,293,125**	825,907
TOTAL ASSETS		**1,431,876**	965,528

	Notes	**2013** *HK$'000*	2012 *HK$'000*
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		**854,960**	677,460
Reserves		**66,365**	22,341
		921,325	699,801
Non-controlling interests		**7,737**	15,380
TOTAL EQUITY		**929,062**	715,181
Non-current liabilities:			
Trade payables	*10*	**6,863**	11,036
Convertible bonds		**272,541**	–
Deferred income		**–**	43,444
Total non-current liabilities		**279,404**	54,480
Current liabilities:			
Trade and bills payables	*10*	**116,390**	79,958
Amounts due to contract customers		**1,585**	7,173
Other payables and accruals		**98,591**	102,146
Income tax payables		**6,844**	6,590
Total current liabilities		**223,410**	195,867
TOTAL LIABILITIES		**502,814**	250,347
TOTAL EQUITY AND LIABILITIES		**1,431,876**	965,528

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(29,152)**	(26,515)
Adjustments for:			
Gain on disposal of a subsidiary		**(1,535)**	–
Gains on deemed partial disposals of interests in an associate	4	**–**	(9,592)
Share of profits and losses of a joint venture		**286**	(679)
Share of profits and losses of associates		**(2,765)**	2,964
Bank interest income	4	**(12,369)**	(11,585)
Imputed interest on interest-free trade receivables with extended credit periods	4	**(1,825)**	(5,154)
Finance costs	6	**8,117**	4,507
Depreciation	5	**2,490**	2,799
Fair value loss/(gain) on investment properties	5	**(176)**	25
Amortisation of intangible assets	5	**832**	797
Impairment of an amount due from an associate	5	**31**	33
Impairment of trade receivables, net	5	**641**	931
Impairment of other receivables, net	5	**5,186**	116
Loss on disposal of items of property and equipment, net	5	**174**	6
		(30,065)	(41,347)
Decrease/(increase) in inventories		**(1,336)**	6,735
Increase in amounts due from contract customers		**(387)**	–
Decrease in trade receivables		**17,285**	16,480
Increase in prepayments, deposits and other receivables		**(5,635)**	(3,050)
Increase/(decrease) in trade and bills payables		**28,285**	(45,120)
Decrease in amounts due to contract customers		**(5,863)**	(2,615)
Decrease in other payables and accruals		**(5,313)**	(7,110)
Decrease in deferred income		**(259)**	(2,471)
Cash used in operations		**(3,288)**	(78,498)
Dividend received from a joint venture		**–**	420
PRC corporate income tax refunded/(paid)		**40**	(307)
Net cash flows used in operating activities		**(3,248)**	(78,385)

	2013	2012
	HK$'000	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property and equipment	**(2,092)**	(5,677)
Prepayment for the acquisition of a property	**–**	(31,605)
Proceeds from disposal of items of property and equipment	**131**	58
Purchases of intangible assets	**(630)**	(1,877)
Disposal of a subsidiary	**(48,052)**	–
Proceeds from disposal of a joint venture	**47,595**	35,264
Increase in an amount due from an associate	**(31)**	(33)
Decrease in time deposits with maturity of more than three months when acquired	**39,993**	13,471
Decrease/(increase) in pledged deposits	**2,801**	(4,606)
Interest received	**12,369**	11,585
Net cash flows from investing activities	**52,084**	16,580
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**200,010**	–
Proceeds from issue of shares upon exercise of share options	**625**	–
Share issue expense	**(791)**	–
Proceeds from issue of convertible bonds	**300,580**	–
Transaction costs on issue of convertible bonds	**(1,189)**	–
Interest paid	**(2,528)**	–
Capital contribution by a non-controlling equity holder	**–**	5,291
Net cash flows from financing activities	**496,707**	5,291
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**545,543**	(56,514)
Cash and cash equivalents at beginning of year	**551,748**	608,262
Effect of foreign exchange rate changes, net	**17,725**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,115,016**	551,748

	2013	2012
	HK$'000	*HK$'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	**218,543**	304,373
Time deposits	**958,647**	348,456
Less: Pledged deposits	**(3,200)**	(5,779)
Cash and cash equivalents as stated in the consolidated statement of financial position	**1,173,990**	647,050
Less: Time deposits with maturity of more than three months when acquired	**(58,974)**	(95,302)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,115,016**	551,748

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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control according to the accounting policy for subsidiaries adopted by the Company. 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 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 statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to the statement of profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. Changes in Accounting Policies 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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKFRS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Details of impact of adoption of the new and revised HKFRSs on these financial statements will be disclosed in the Company's 2013 annual report.

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 (2012: two) 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:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**47,278**	41,202
Customer B	*****	24,590
Customer C	**20,373**	*

* less than 10% of the Group's total revenue.

4. Revenue, Other Income and Gains, Net

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, net is as follows:

	Notes	**2013** **HK$'000**	2012 HK$'000
Revenue			
Sale of IT related products		**128,015**	119,352
Maintenance contracts		**35,365**	21,803
System integration contracts		**20,624**	50,067
Software development contracts		**9,063**	17,165
		193,067	208,387
Other income			
Bank interest income		**12,369**	11,585
Imputed interest on interest-free trade receivables with extended credit periods		**1,825**	5,154
Government grants released	*(a)*	**259**	2,469
Others		**1,346**	3,191
		15,799	22,399
Gains, net			
Fair value gain on investment properties		**176**	–
Gain on disposal of a subsidiary	*(b)*	**1,535**	–
Gains on deemed partial disposals of interests in an associate	*(c)*	**–**	9,592
Foreign exchange differences, net		**338**	–
		2,049	9,592
Other income and gains, net		**17,848**	31,991

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**"), a subsidiary of the Group. The government grants have been recognised in the consolidated statement of profit or loss to match with 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 had not yet been undertaken had been included in deferred income in the consolidated statement of financial position before BG Culture was disposed of by the Group during the year.

(b) The gain on disposal of a subsidiary recognised during the year arose from the disposal of the 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. Alison is an investment holding company and its sole investment is a 59.5% equity interests in BG Culture.

(c) The gains on deemed partial disposals of interests in an associate recognised during the year ended 31 December 2012 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. Loss from Operating Activities

The Group's loss from operating activities is arrived at after charging/(crediting):

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**109,551**	105,727
Cost of services provided	**46,622**	82,129
Depreciation	**2,490**	2,799
Minimum lease payments under operating leases of land and buildings	**9,891**	9,083
Fair value loss/(gain) on investment properties	**(176)**	25
Amortisation of intangible assets	**832**	797
Impairment of an amount due from an associate#	**31**	33
Impairment of trade receivables, net#	**641**	931
Impairment of other receivables, net#	**5,186**	116
Loss on disposal of items of property and equipment, net#	**174**	6
Auditors' remuneration	**2,060**	2,080
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**39,153**	41,628
Pension scheme contributions	**4,297**	4,164
	43,450	45,792
Foreign exchange differences, net	**(338)**	461

These items are included in "Other operating expenses, net" in the consolidated statement of profit or loss.

6. Finance Costs

	2013	2012
	HK$'000	*HK$'000*
Interest on convertible bonds	**2,528**	–
Imputed interest on convertible bonds	**5,121**	–
Imputed interest on interest-free trade payables with extended credit periods	**468**	4,507
	8,117	4,507

7. Income Tax

No provision for Hong Kong profits tax has been made for the year ended 31 December 2013 as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: 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.

	2013	2012
	HK$'000	*HK$'000*
Current – Mainland China		
Charge for the year	**–**	60
Underprovision/(overprovision) in prior years	**(40)**	75
Total tax charge/(credit) for the year	**(40)**	135

The share of tax expenses attributable to a joint venture and associates amounting to HK$171,000 (2012: HK$234,000) and HK$41,000 (2012: HK$470,000), respectively, are included in "Share of profits and losses of a joint venture and associates" in the consolidated statement of profit or loss.

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 826,447,821 (2012: 677,460,150) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2013 and 2012 as the convertible bonds and share options of the Company outstanding, as applicable, during these years either have an anti-dilutive effect or have no dilutive effect on the respective basic 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:

	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**40,959**	60,246
Past due but not impaired:		
Within 3 months	**20,363**	25,732
4 to 6 months	**–**	1,124
7 to 12 months	**1,748**	411
Over 1 year	**12,709**	949
	34,820	28,216
	75,779	88,462
Portion classified as current assets	**(68,101)**	(78,781)
Non-current portion	**7,678**	9,681

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:

	2013	2012
	HK$'000	*HK$'000*
Not past due	**50,666**	66,872
Past due:		
Less than 3 months	**55,231**	10,015
4 to 6 months	**–**	3
7 to 12 months	**2,018**	609
Over 1 year	**15,338**	13,495
	72,587	24,122
	123,253	90,994
Portion classified as current liabilities	**(116,390)**	(79,958)
Non-current portion	**6,863**	11,036

11. Dividend

The Board does not recommend the payment of any dividend in respect of the year (2012: Nil).

12. Other Financial Information

The net current assets and total assets less current liabilities of the Group as at 31 December 2013 amounted to HK$1,069,715,000 (2012: HK$630,040,000) and HK$1,208,466,000 (2012: HK$769,661,000), respectively.

13. Events After the Reporting Period

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

(a) On 24 February 2014, the Company entered into a sale and purchase agreement with KCS Green Energy International (Group) Investments Company Limited (the "**Vendor**"), pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell all of the issued shares of each of KCS Taian Investments Company Limited and KCS Changde Investments Company Limited (collectively the "**Target Companies**") and the shareholder loans owing by the Target Companies to the Vendor at an aggregate consideration of RMB520,000,000 (equivalent to approximately HK$666,430,000) (the "**Acquisition**"). The consideration will be satisfied as to RMB86,790,000 (equivalent to approximately HK$111,230,000) in cash, and as to RMB433,210,000 (equivalent to approximately HK$555,200,000) by the issue of 347,000,000 ordinary shares of the Company at an issue price of HK$1.60 per share.

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") and is subject to the reporting, announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules. Further details of the Acquisition are set out in the Company's announcements dated 29 January 2014 and 24 February 2014, and circular dated 27 March 2014, respectively. At the date of this announcement, the Acquisition, which is subject to, inter alia, approval from the shareholders of the Company, has not yet been completed.

(b) In January 2014, CITD announced an open offer for the subscription of shares in the proportion of two shares for every share held on the record date as set out in CITD's announcement dated 6 March 2014 (the "**Open Offer**"). On 7 March 2014, the Open Offer was completed and CITD allotted and issued approximately 1,797 million shares at the price of HK$0.11 per share. As the Group did not accept the shares entitled under the Open Offer, the number of CITD's shares held by the Group remained at approximately 190 million. As a result, upon completion of the Open Offer, the number of issued shares of CITD increased from approximately 898 million to 2,695 million and the Group's equity interest in CITD was diluted from approximately 21.1% to 7.03%.

Since the Group's equity interest in CITD is less than 20% and the Group is no longer in a position to exercise significant influence over CITD after the completion of the Open Offer, the Group's investment in CITD was subsequently reclassified from "investment in associates" to "available-for-sale investment". The Group is not yet in a position to disclose any financial impact of the deemed partial disposal of interests in CITD on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the year under review, in order to improve the operating results and enhance the competitive edge, the Group has continuously exploring new business lines, new profit models and new market resources with its existing information technology business. In system integration sector, the Group has secured the successful implementation of its existing Beijing subway projects, namely the Automated Fare Collection System Phase II for Line 8 and the Passenger Information System Phase II for Line 10. The new outsourcing services have been operating smoothly, and the 12333 Hotline Calling Centre of Beijing Municipal Human Resources and Social Security Bureau has commenced operation officially. Besides, the Group has preliminarily constructed a supply platform for spare parts in response to the huge operating demands for the mechanical and electrical system of the subway, which will become another spotlight to the system integration business. In information technology services sector, the Group has been continuing to focus in providing stable network operation, software development, education smartcard operation and data operation services for the education sector in Beijing. Over the year, the Group has improved its overall gross profit margin and cash inflow from operating activities.

The Group has committed to commence its strategic transformation to enter the waste incineration power generation industry through restructuring its existing business portfolio and investing in environmental protection and waste-to-energy industry.

In June 2012, the Group has announced its proposed capital injection into a joint venture for investing, constructing and operating the Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Project (the “Haidian Project”). The Haidian Project is a remarkable waste incineration power generation project under construction in Beijing and has a daily waste treatment capacity of 2,500 tonnes. During the pre-acquisition period, the Group is at present negotiating the transaction structure, the major operation terms during the operation period, including the waste treatment fee, the guaranteed level of waste supply and the on-grid tariff for waste-generated power, and any other terms and conditions with the relevant government authorities in Beijing. The Board is pleased to present details of the proposed investment in the Haidian Project for the shareholders’ approval in due course.

In September 2012, the Group has announced that it has entered into a framework agreement in respect of its possible acquisition of the equity interest in Green Energy Holding Company Limited, which has investment in and operates 15 waste incineration power generation projects in the PRC. However, after the prolonged and extensive due diligence review work done, the negotiation has been failed eventually and the Group has announced the termination of the framework agreement with effect from December 2013.

The Board considers that the participation into the waste incineration power generation industry is the right decision to deliver value to the shareholders of the Company, though the path of successful strategic transformation is meandering and circuitous.

In February 2014, the Group has further announced that it has entered into a sale and purchase agreement in respect of its possible acquisition of entire interests in Taian Household Waste Incineration Power Generation Project and Changde Household Waste Incineration Power Generation Project in Shandong and Hunan, respectively, at an aggregate consideration of RMB520 million. The consideration will be satisfied as to RMB86.79 million in cash and as to RMB433.21 million by the issue of consideration shares. Both projects are in business operation and have aggregated daily waste treatment capacity of 2,000 tonnes. Details of the possible acquisition may be referenced to the circular of the Company dated 27 March 2014. The Board considers that the possible acquisition represents a golden opportunity to the Group to establish an immediate presence in environmental protection and waste-to-energy industry in the PRC.

The Company has the intention and is under negotiations to acquire new business and is also actively exploring other new business opportunities through organic growth and strategic acquisitions to swiftly capture market share in the waste-to-energy sector in the PRC, and to become the largest and the most valuable waste incineration power generation player in the PRC.

Financial Review

Revenue
Provision of information technology related services in Mainland China is a single reportable operating segment of the Group. The Group's revenue in 2013 was HK$193.07 million, decreased by 7.4% as compared with HK$208.39 million in 2012. This was mainly due the decrease in revenue generated from system integration contracts during the year.

Cost of sales
The Group's cost of sales in 2013 was HK$156.17 million, decreased by 16.9% as compared with HK$187.86 million in 2012.

Gross profit
The Group recorded a gross profit of HK$36.89 million in 2013, increased by 79.7% as compared with HK$20.53 million in 2012. The overall gross profit margin increased from 9.9% to 19.11%. The increase was mainly due to the increase in proportion of maintenance contracts which contributed higher profit margins.

Other income and gains, net
The Group's other income and gains, net in 2013 amounted to HK$17.85 million (2012: HK$31.99 million), mainly comprised of bank interest income of HK$12.37 million and gain on disposal of interests in Alison of HK$1.54 million. Gains on deemed partial disposals of interests in CITD of HK$9.59 million was recorded in 2012.

Selling and distribution expenses
The Group's selling and distribution expenses in 2013 increased by 11.0% to HK$6.57 million, as compared with HK$5.92 million in 2012.

Administrative expenses
The Group's administrative expenses in 2013 increased by 0.4% to HK$65.44 million, as compared with HK$65.17 million in 2012.

Other operating expenses, net
The Group's other operating expenses in 2013 amounted to HK$6.24 million (2012: HK$1.15 million), mainly comprised of impairment of trade and other receivables of HK$5.83 million in aggregate.

Finance costs
The Group's finance costs in 2013 amounted to HK$8.12 million (2012: HK$4.51 million), mainly comprised of the coupon and the imputed interest on the convertible bonds issued during the year of HK$2.53 million and HK$5.12 million, respectively.

Share of profits and losses of a joint venture
The Group's 50% share of net loss of a joint venture, Beijing Education Information Network Services Center Co., Ltd., in 2013 amounted to HK$0.29 million (2012: net profit of HK$0.68 million).

Share of profits and losses of associates
The Group's share of net profit of associates of HK$2.77 million in 2013 (2012: net loss of HK$2.96 million) substantially represented its 21.1% share of net profit (including a gain on disposal of its subsidiaries) of CITD of HK$2.73 million.

Loss and total comprehensive loss for the year
The loss for the year ended 31 December 2013 was HK$29.11 million, increased by HK$2.46 million or 9.2% as compared with the loss of HK$26.65 million in 2012. The loss attributable to shareholders of the Company for the year ended 31 December 2013 was HK$24.48 million, increased by HK$5.65 million or 30.0% as compared with the loss of HK$18.83 million in 2012.

The other comprehensive income for the year ended 31 December 2013 amounted to HK$16.08 million (2012: loss of HK$1.72 million), mainly comprised of exchange fluctuation reserve on translation of foreign operations. The total comprehensive loss for the year ended 31 December 2013 was HK$13.03 million, decreased by HK$15.34 million as compared with the loss of HK$28.37 million in 2012. The total comprehensive loss attributable to shareholders of the Company for the year ended 31 December 2013 was HK$10.29 million, decreased by HK$10.27 million as compared with the loss of HK$20.56 million in 2012.

Financial Position

During the year ended 31 December 2013, the authorised share capital of the Company has increased by HK$4 billion to HK$5 billion and the issued share capital has increased by HK$177.50 million to HK$854.96 million as a result of (i) the subscription by its holding company of 177,000,000 new shares at HK$1.13 per share; and (ii) the exercise of 500,000 share options by its employee.

Saved for the disposal of interests in Alison, with its sole investment in 59.5% equity interest of BG Culture, to the Company's substantial shareholder at a cash consideration of HK$8.50 million, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2013.

As at 31 December 2013, the Group had total assets and total liabilities of HK$1,431.88 million and HK$502.82 million, respectively, increased by HK$466.35 million and HK$252.47 million, respectively, as compared with 31 December 2012. The net assets of the Group increased by HK$213.88 million from HK$715.18 million to HK$929.06 million, of which equity attributable to shareholders of the Company amounted to HK$921.33 million as at 31 December 2013.

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funds. The Group finances its daily operations of the existing business primarily with internally generated cash flow and existing banking facilities. When the Group comes across with acquisition or investment opportunities, the Group will first utilise the internal funding and arrange for project finance from financial institutions. Depending on its investment needs, the Group may also consider raising fund from the shareholders and potential investors of the Company and will comply with applicable requirements under the Listing Rules as may be required.

As at 31 December 2013, the cash and bank balances held by the Group amounted to HK$1,177.19 million, of which HK$3.20 million were pledged as tender deposits to secure certain system integration contracts of the Group. The Group has no further charge on its assets as at 31 December 2013. During the year ended 31 December 2013, the Company has issued convertible bonds of an aggregate principal amount of HK$300.58 million and an initial conversion price of HK$1.13 per share to its holding company for financing its potential investment in waste incineration power generation projects. The convertible bonds bear interest at 1% per annum and maturity of five years. Except for the convertible bonds, the Group did not have any bank borrowings, nor did it hold any financial derivatives. As at 31 December 2013, the Group had a net current assets of HK$1,069.72 million and its current ratio was increased from 4.22 times to 5.79 times and total liabilities to assets ratio was increased from 25.9% to 35.1%.

The Group's cash and bank balances were denominated as to 64% in Hong Kong dollars and 36% 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 Company'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 statement of profit or loss and the gains or losses arising on retranslation of foreign operations are recognised in the exchange fluctuation reserve. During the year ended 31 December 2013, the Group did not enter into any foreign currencies hedging arrangements.

During the year ended 31 December 2013, the Group had capital expenditures for acquisition of equipment and intangible assets of HK$2.7 million. As at 31 December 2013, save as the potential investment in waste incineration power generation projects, the Group had capital commitment of HK$8.2 million for the balance payment of a property. The Group did not have any material contingent liabilities.

Employees

As at 31 December 2013, the Group had approximately 240 employees. As compared with approximately 330 employees as at 31 December 2012, the reduction was mainly caused by the disposal of Alison during the year. The Group's total expenses on employee benefits in 2013 amounted to HK$43.45 million, decreased by 5.1% as compared with HK$45.79 million in 2012. 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. The Group encourages and finances its employees to attend training courses in the fields of their job responsibilities. Discretionary bonuses 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. Except for 500,000 share options were exercised, no share option was granted, exercised, forfeited or lapsed during the year ended 31 December 2013. As at 31 December 2013, the Company had 50,920,000 share options outstanding, which were granted on 21 June 2011 at an exercise price of HK$1.25 per share and represented 6.0% of the Company's ordinary shares in issue at the date of this announcement.

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

Save as disclosed below, in the opinion of the Directors, the Company has complied with all the applicable code provisions (the "**Code Provision**") of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2013.

(a) On 29 August 2013, Mr. Ke Jian was appointed as an executive Director and the vice chairman of the Company, Ms. Qin Xuemin was appointed as an executive Director and a vice president of the Company and Mr. Yan Qing was resigned as an executive Director. Immediately following the changes in the Board composition, the Company failed to comply with Rule 3.10A of the Listing Rules that an issuer must appoint independent non-executive directors representing at least one-third of the board. Such situation was rectified until Prof. Nie Yongfeng was appointed as an independent non-executive Director on 1 January 2014.

(b) 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.

(c) 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 individual communication with the chairman of the Board.

(d) 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.

(e) 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 general meetings of the Company due to other business engagements.

(f) Under Code Provision E.1.2, the chairman of the board should invite the chairman of the audit, remuneration and nomination committees to attend the annual general meeting. However, the chairmen of audit and remuneration committees were unable to attend the annual general meeting due to other business engagements.

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 2013.

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 C.3. 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 2013, internal control, impacts of the new accounting standards and management issues of the Company.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2013 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, 28 March 2014

As at the date of this announcement, the board of directors of the Company comprises seven executive Directors, namely Mr. E Meng, Mr. Zhang Honghai, Mr. Ke Jian, Mr. Wang Yong, Ms. Sha Ning, Ms. Qin Xuemin and Mr. Ng Kong Fat, Brian, and four independent non-executive Directors, namely Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping and Prof. Nie Yongfeng.