ZZNode Technologies Company Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 2371)

Annual Report 2009

Contents

Corporate Information

EXECUTIVE DIRECTORS

Ms. CHAN Shui Sheung Ivy
Ms. SO Wai Lam
Mr. LIU Yong Fei
Mr. TIN Ka Pak
Mr. CHEN Fu Ju

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOW Shiu Ki
Mr. LAM Raymond Shiu Cheung
Mr. LAM Ka Wai Graham
Mr. WU Xian
Mr. LEUNG Siu Kee

COMPANY SECRETARY

Ms. TSOI Lai Kwan

AUDIT COMMITTEE

Mr. LAM Ka Wai Graham
(Chairman of the Audit Committee)
Mr. LAM Raymond Shiu Cheung
Mr. CHOW Shiu Ki
Mr. WU Xian
Mr. LEUNG Siu Kee

REMUNERATION COMMITTEE

Mr. LAM Ka Wai Graham
(Chairman of the Remuneration Committee)
Mr. LAM Raymond Shiu Cheung
Ms. CHAN Shui Sheung Ivy
Mr. LEUNG Siu Kee

NOMINATION COMMITTEE

Mr. CHOW Shiu Ki
(Chairman of the Nomination Committee)
Ms. CHAN Shui Sheung Ivy
Mr. LAM Ka Wai Graham
Mr. LEUNG Siu Kee

AUTHORISED REPRESENTATIVES

Ms. CHAN Shui Sheung Ivy
Ms. TSOI Lai Kwan

AUDITOR

SHINEWING (HK) CPA Limited

PRINCIPAL BANKER

Fubon Bank (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1205-1207
12th Floor
Dah Sing Financial Centre
108 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484, HSBC House
68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

www.zznode.com.hk

STOCK CODE

2371

Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years:

RESULTS

	2009	2008	2007	2006	2005
	RMB	RMB	RMB	RMB	RMB
Turnover	**31,334,168**	23,966,337	85,117,959	125,386,040	97,314,518
Gross profit	**424,481**	4,993,103	20,352,220	42,113,281	35,982,864
(Loss) profit before tax	**(7,699,233)**	(33,929,013)	(20,174,111)	12,448,334	9,983,261
(Loss) profit for the year	**(9,232,699)**	(33,040,453)	19,457,177	12,357,589	9,255,522
Basic (loss) earnings Per share (RMB cents)	**(2.24)**	(8.19)	(4.93)	3.09	2.31

ASSETS AND LIABILITIES

	2009	2008	2007	2006	2005
	RMB	RMB	RMB	RMB	RMB
Non-current assets	**33,966,548**	46,612,083	25,101,847	30,309,215	34,133,871
Current assets	**149,585,576**	48,992,824	127,219,620	149,466,932	124,593,213
Current liabilities	**(13,903,116)**	(10,826,104)	(32,934,597)	(42,423,660)	(31,255,332)
Net current assets	**135,682,460**	38,166,720	94,285,023	107,043,272	93,337,881
Non-current liabilities	**–**	–	–	(716,934)	(626,189)
Shareholders' funds	**169,649,008**	84,778,803	119,386,870	136,635,553	126,845,563

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group recorded a turnover of RMB31,334,168 (2008: RMB23,966,337), representing an increase of 30.7% as compared to that of last year. Of these, turnover derived from sales of third party software and hardware was decreased from RMB4,654,458 in last year to RMB2,669,491, representing a decrease of 42.6%. Turnover derived from maintenance, training and other services was RMB10,655,250 (2008: RMB16,540,282), representing a decrease of 35.6%. The Group holds listed securities and had a turnover and a realised profits amounted to RMB18,009,427 and RMB8,978,620 respectively during the year.

The Group recorded a gross profit of RMB424,481 (2008: RMB4,993,103). The overall gross margin was decreased from approximately 20.8% of last year to approximately 3.2% of this year.

The increase in administrative expenses by 133.8% from RMB16,649,226 of last year to RMB38,920,836 in this year mainly attributable to the share-based payment expenses amounted to approximately RMB19,000,000.

Loss attributable to the owners of the Company was RMB9,232,699 for the year (2008: RMB33,040,453). Basic loss per share was approximately RMB2.24 cents for the year (2008: RMB8.19 cents).

BUSINESS REVIEW

The Group is principally engaged in i) the provision of operational support system (OSS) software development and mobile communication network optimisation services to telecommunication operators in PRC, ii) property investment and iii) securities trading.

In 2009, while having maintained the existing portfolio and size of our network optimisation business, the Group also managed to capitalise on opportunities arising from the efforts of various operators in China to carry out the construction of 3G network, which is now in full swing throughout the country, by partnering with prestigious local and overseas communication equipment manufacturers and design institutes in all aspects of the optimisation of the TDSCDMA\WCDMA\CDMA EVDO networks. This has laid a sound foundation for the development of the 3G network optimisation business in the future. In addition, the Group has aggressively sought to work closely with operators in the network optimisation business.

BUSINESS OUTLOOK

OSS Software Development and Network Optimisation

The Group will capitalise on the opportunities arising from the tremendous efforts of operators to increase the number of 3G network users by taking an aggressive approach to expanding the 3G network optimisation business in a number of key areas in the country. The Group will also continue to maintain its partnership with well-known local and international communication equipment manufacturers, increase the existing market share and embark on software development for network optimisation.

Management Discussion and Analysis

Operation of Outdoor Mega LED Displays

The completion of the very substantial acquisition of the 100% equity interest in Precious Luck Enterprises Limited ("Precious Luck") had taken place shortly after the year end on 2 January 2010. An indirect non-wholly-owned subsidiary of Precious Luck, ChuangZhi LiDe (Beijing) Technology Development Company Limited, has obtained the right to operate outdoor mega LED displays in major cities in the PRC and procure advertisements to be broadcasted through the displays. The Directors expect the acquisition of Precious Luck to generate opportunities to accelerate future revenue growth and the Company will be well placed to benefit from the market growth.

Other Media Business

On 11 February 2010, the Group entered into a sale and purchase agreement relating to the acquisition of entire interest in Bold Champion International Limited, which owns 98% shareholding in 北京柯瑞環宇傳媒文化有限公司 ("Kery Media"). Kery Media is principally engaged in the business of provision of sales, packaging and promotion of audio-visual products service, consultancy services relevant to the media industry, as well as advertising, event organising and artists' management in the PRC. The Directors believe that the media business in the PRC will become considerably more promising in the foreseeable future as the PRC is expected to experience persistent economic growth and more people in the PRC are pursuing a higher standard of living through quality entertainment. Acquisition of the Kery Media will give the Company a greater involvement in the PRC media business and provide an excellent opportunity to generate better revenue and profits.

On 12 February 2010, the Group entered into a non-legally binding memorandum of understanding with five companies related to the potential acquisition of the subsidiary company managing 湖南廣電移動電視有限責任公司 ("Hunan Mobile"). The Directors consider participation in the management of Hunan Mobile would be a significant milestone in the Company's development within the media industry. With the promising business potential in the mainland media industry and the rapid growth of Hunan Mobile, the acquisition will further expand the Company's business and strengthen its market position in the PRC.

The Group has been actively seeking business opportunities in the enormous and promising media business in the PRC with a view to increasing its revenue and profitability. Up to the date of this annual report, the Group has made important progress to achieve this goal.

ADVANCE TO AN ENTITY

On 10 July 2009, Smart Century Investment Limited ("Smart Century"), a wholly-owned subsidiary of the Company, provided financial assistance in the sum of HK$20,000,000 to Apex One Enterprises Limited ("Apex One"), a 49%-owned and affiliated company of the Company. The principal activity of Apex One is securities trading.

For more details, please refer to the Company's announcements dated 10 July 2009 and 13 July 2009.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and the bank balance.

As at 31 December 2009, the Group had bank balances and cash of approximately RMB84,972,644 as compared to the bank balances and cash of RMB3,887,517 as at 31 December 2008.

The Group's net current assets totalled approximately RMB135,682,460 as at 31 December 2009, against approximately RMB38,166,720 as at the end of the previous financial year. The Group's current ratio was approximately 10.76 as at 31 December 2009 as compared with 4.53 as at 31 December 2008.

GEARING RATIO

As at 31 December 2009, the Group did not have any long-term debts while its shareholders' funds amounted to approximately RMB169,649,008. In this regard, the Group holds a net cash position with nil gearing ratio (net debt to shareholders' funds) as at 31 December 2009 (2008: Nil).

CAPITAL STRUCTURE

For the year ended 31 December 2009, the Company's issued share capital is HK$46,105,600 (equivalent to RMB47,748,941) and the number of its issued ordinary shares is 461,056,000 shares. Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

FUND RAISING ACTIVITIES

On 2 November 2009, the Company entered into a placing agreement with a placing agent in relation to a placement of 35,000,000 new ordinary shares of HK$0.1 each in the share capital of the Company at a price of HK$1.40 per placing share to independent investors. The placing was completed on 19 November 2009.

On 8 December 2009, the Company entered into a placing agreement with a placing agent in relation to a placement of 20,000,000 new ordinary shares of HK$0.1 each at a price of HK$2.00 per placing share to independent investors. The placing was completed on 17 December 2009.

SIGNIFICANT INVESTMENT

At 31 December 2009, the Group held investment properties amounted to approximately RMB7.4 million (2008: approximately RMB8.9 million). During the year, the Group disposed an investment property resulting in a gain approximately RMB0.4 million and recorded an increase in fair value of investment properties of approximately RMB1.3 million. The Board expected that the values of the investment properties will be increased in 2010 in accordance with the boom of the property market in Hong Kong.

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

Substantially all of the business transactions of the Group are denominated in Renminbi and Hong Kong dollars. The Group adopts a conservative financial policy. As at 31 December 2009, the Group did not have any bank liabilities, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

CHARGES ON GROUP ASSETS

As at 31 December 2009, the Group did not have any charges on its assets. (2008: Nil).

CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any material contingent liabilities (2008: Nil).

CAPITAL COMMITMENT

As at 31 December 2009, the Group did not have any material capital commitment.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2009, the Group has 58 employees (2008: 37 employees).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, employees are eligible to receive a discretionary bonus taking into accounts factors such as market conditions as well as corporate and individual's performance during the year. We are confident that our employees will continue to provide a firm foundation for the success of the Group and will maintain high standard of service to our clients.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. CHAN Shui Sheung Ivy ("Ms. Chan"), aged 45, is an executive director of the Company since January 2008. Ms. Chan graduated from The University of South Australia with a Master of Business Administration degree. Ms. Chan has over 16 years of experience in investment and is currently the director of certain subsidiaries of the Company. She is also a director of Channel Enterprises (Int'l) Limited, and an executive director of PME Group Limited ("PME Group", Stock Code: 379), a company listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and China Railway Logistics Limited ("China Railway", Stock Code: 8089), a company listed on GEM Board of the Stock Exchange.

Ms. Chan is entitled to monthly emolument of HK$30,000 which has been determined by the Board with reference to her respective duties and responsibilities and the prevailing market conditions.

Save as disclosed above, Ms. Chan (i) did not hold any directorships in other companies listed in Hong Kong and overseas in the last three years and does not hold any other position in the Group; (ii) has not entered into any written service contract with the Company but is subject to retirement by rotation and re-election in accordance with the articles of association of the Company; and (iii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Ms. SO Wai Lam ("Ms. So"), aged 29, is an executive director of the Company since January 2008. Ms. So holds a bachelor degree of Science with double majors in Mathematics and Statistics from the University of British Columbia in Canada. She has over 6 years experience in the corporate finance industry.

Ms. So is entitled to monthly emolument of HK$20,000 which has been determined by the Board with reference to her respective duties and responsibilities and the prevailing market conditions.

Save as disclosed above, Ms. So (i) did not hold any directorships in other companies listed in Hong Kong and overseas in the last three years and does not hold any other position in the Group; (ii) has not entered into any written service contract with the Company but is subject to retirement by rotation and re-election in accordance with the articles of association of the Company; and (iii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. LIU Yong Fei ("Mr. Liu"), aged 45, is an executive director of the Company since June 2008. Mr. Liu graduated from Beijing Institute of Business (now known as Beijing Technology and Business University) and the First Senior Refreshment Session of Business Management Talent Program for the Cultural Industry launched by Peking University and Time Warner. Mr. Liu has over 19 years experience in the industry of cultural and entertainment media, covering movie investment, teleplay, musical play and drama production, as well as management of entertainment agencies and entertainment media investment company. He is currently the director of certain subsidiaries of the Company.

Mr. Liu is entitled to monthly emolument of HK$100,000 which is determined with reference to his duties and responsibilities within the Company and the prevailing market conditions.

Biographical Details of Directors and Senior Management

Save as disclosed above, Mr. Liu (i) did not hold any directorships in other companies listed in Hong Kong and overseas in the last three years and does not hold any other position in the Group; (ii) has not entered into any written service contract with the Company but is subject to retirement by rotation and re-election in accordance with the articles of association of the Company; and (iii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. TIN Ka Pak ("Mr. Tin"), aged 33, is an executive director of the Company since June 2008. Mr. Tin holds a Bachelor degree of Business Administration from Oxford Brookes University. Mr. Tin has been working in companies listed in the Stock Exchange to assist the chairman and CEO in group management, strategic planning, sales and marketing development, investment evaluation and investor relationship. Mr. Tin is currently an executive director of PME Group (Stock Code: 379), a company listed on Main Board of the Stock Exchange and China Bio-Med Regeneration Technology Limited ("China Bio-Med", Stock Code: 8158), a company listed on GEM Board of the Stock Exchange. He is currently the director of an associated company of the Company.

Mr. Tin is entitled to monthly emolument of HK$20,000 which is determined with reference to his duties and responsibilities within the Company and the prevailing market conditions.

Save as disclosed above, Mr. Tin (i) did not hold any directorships in other companies listed in Hong Kong and overseas in the last three years and does not hold any other position in the Group; (ii) has not entered into any written service contract with the Company but is subject to retirement by rotation and re-election in accordance with the articles of association of the Company; and (iii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. CHEN Fu Ju ("Mr. Chen"), aged 41, is an executive director of the Company since July 2009. Mr. Chen graduated from International Economic and Trade College. He was engaged in the advertising, TV, broadcasting, outdoor broadcasting and media & entertainment sectors for more than 10 years. He held the positions of general manager and deputy general manager in various sizable media institutions and cultural, media & entertainment companies in China. He has over 10 years of management experience. Mr. Chen is primarily responsible for the management of overall operations and advertising operations of the media & entertainment companies, including media platform construction, team building, advertising operations, program content collection, media agency, customer comprehensive agency as well as planning and organisation of large-scale activities. He is currently the director of certain subsidiaries of the Company.

Mr. Chen is entitled to monthly emolument of HK$60,000 which is determined with reference to his duties and responsibilities within the Company and the prevailing market conditions.

Save as disclosed above, Mr. Chen (i) did not hold any directorships in other companies listed in Hong Kong and overseas in the last three years and does not hold any other position in the Group; (ii) has not entered into any written service contract with the Company but is subject to retirement by rotation and re-election in accordance with the articles of association of the Company; and (iii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOW Shiu Ki ("Mr. Chow"), aged 42, is an independent non-executive director of the Company since January 2008. Mr. Chow has accumulated over 21 years of experience in auditing, accounting and corporate finance areas. Mr. Chow is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Chow is the qualified accountant of Byford International Limited ("Byford", Stock Code: 8272) and was an independent non-executive Director of Pan Asia Mining Limited ("Pan Asia", Stock Code: 8173) during the period from 3 November 2006 to 20 August 2008, both Byford and Pan Asia are listed on GEM Board of the Stock Exchange.

Mr. Chow is entitled to HK$15,000 per month as director's fee which has been determined by the Board with reference to his respective duties and responsibilities and the prevailing market conditions.

Save as disclosed above, Mr. Chow (i) did not hold any directorships in other companies listed in Hong Kong and overseas in the last three years and does not hold any other position in the Group; (ii) has not entered into any written service contract with the Company but is subject to retirement by rotation and re-election in accordance with the articles of association of the Company; and (iii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. LAM Raymond Shiu Cheung ("Mr. Raymond Lam"), aged 44, is an independent non-executive director of the Company since January 2008. Mr. Raymond Lam graduated from the Victoria University of Melbourne, Australia with a Bachelor of Business Degree majoring in banking and finance. He also earned a Master Degree in Applied Finance from Macquarie University of Australia. Mr. Raymond Lam has 18 years extensive experience in business development and corporate finance. He started his career in corporate banking; he then joined one of the biggest oil companies in the USA specialising in the area of business development. Currently he is the Deputy Chief Executive Officer of China Eco-Farming Limited (Stock Code: 8166). He was an independent non-executive director of China Bio-Med (Stock Code: 8158) during the period from 23 June 2008 to 26 June 2009 and China Railway (Stock Code: 8089) during the period from 22 December 2008 to 17 June 2009, both China Railway and China Bio-Med are listed on GEM Board of the Stock Exchange.

Mr. Raymond Lam is entitled to HK$15,000 per month as director's fee which has been determined by the Board with reference to his respective duties and responsibilities and the prevailing market conditions.

Save as disclosed above, Mr. Raymond Lam (i) did not hold any directorships in other companies listed in Hong Kong and overseas in the last three years and does not hold any other position in the Group; (ii) has not entered into any written service contract with the Company but is subject to retirement by rotation and re-election in accordance with the articles of association of the Company; and (iii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Biographical Details of Directors and Senior Management

Mr. LAM Ka Wai Graham ("Mr. Graham Lam"), aged 42, is an independent non-executive director of the Company since January 2008. Mr. Graham Lam graduated from the University of Southampton, England with a Bachelor of Science degree in Accounting and Statistics. He is a member of Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Graham Lam is currently the managing director and head of corporate finance of an investment bank and has around 16 years experience in investment banking as well as around 4 years experience in accounting and auditing. He is also an independent non-executive director of Cheuk Nang (Holdings) Limited (Stock Code: 131), China Fortune Group Limited (Stock Code: 290), Applied Development Holdings Limited (Stock Code: 519), China Sonangol Resources Enterprise Limited (Stock Code: 1229), Pearl Oriental Innovation Limited (Stock Code: 632) and Value Convergence Holdings Ltd (Stock Code: 821), companies listed on Main Board of the Stock Exchange; Finet Group Limited (Stock Code: 8317) and China Railway (Stock Code: 8089), companies listed on GEM Board of the Stock Exchange.

Mr. Graham Lam is entitled to HK$15,000 per month as director's fee which has been determined by the Board with reference to his respective duties and responsibilities and the prevailing market conditions.

Save as disclosed above, Mr. Graham Lam (i) did not hold any directorships in other companies listed in Hong Kong and overseas in the last three years and does not hold any other position in the Group; (ii) has not entered into any written service contract with the Company but is subject to retirement by rotation and re-election in accordance with the articles of association of the Company; and (iii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. WU Xian ("Mr. Wu"), aged 41, is an independent non-executive director of the Company since October 2009. Mr. Wu obtained his bachelor degree in Economics at Dongbei University of Finance and Economics and Master of Business Administration at China Europe International Business School. Mr. Wu has over 16 years experience in advertising and media industry in China, and has held senior positions in several media enterprises. He has been the vice president of HC International Inc., the general manager of Beijing China Media Networks Company and the chief executive officer of Beijing Sheng Sheng He Run Cultural Dissemination Company. Currently, he is the general manager of Guoguang Lianhe Cultural Developing Company.

Mr. Wu is entitled to HK$10,000 per month as director's fee, which is determined with reference to his duties and responsibilities within the Company, and the prevailing market conditions.

Save as disclosed above, Mr. Wu (i) did not hold any directorships in other companies listed in Hong Kong and overseas in the last three years and does not hold any other position in the Group; (ii) has entered into a written service agreement of three years with the Company but is subject to retirement by rotation and re-election in accordance with the articles of association of the Company; and (iii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

Biographical Details of Directors and Senior Management

Mr. LEUNG Siu Kee ("Mr. Leung"), aged 33, is an independent non-executive director of the Company since December 2009. Mr. Leung obtained his bachelor of Business Administration of major in Accounting at the Hong Kong University of Science and Technology with first honour. He has extensive accounting knowledge for he had worked in two international accounting firms for more than 7 years, mainly to provide auditing and business assurance services. Afterwards, Mr. Leung has devoted to develop his career in corporate finance and corporate restructuring businesses. Currently, Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of Beta Gamma Sigma.

Mr. Leung is entitled to HK$10,000 per month as director's fee, which is determined with reference to his duties and responsibilities within the Company, and the prevailing market conditions.

Save as disclosed above, Mr. Leung (i) did not hold any directorships in other companies listed in Hong Kong and overseas in the last three years and does not hold any other position in the Group; (ii) has entered into a written service agreement of three years with the Company but is subject to retirement by rotation and re-election in accordance with the articles of association of the Company; and (iii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

SENIOR MANAGEMENT

Mr. WANG De Jie ("Mr. Wang"), aged 45, holds a bachelor degree of engineering from 中國人民解放軍國防科學技術大學電子計算器系 (the Department of Computer Science of the National University of Defense Technology of People's Liberation Army), majoring in Computer and application and a master degree of engineering from 中國科學院計算技術研究所 (Institute of Computing Technology Chinese Academy of Science), majoring in 計算機組織與系統結構 (Computer Organisation and Architecture). Mr. Wang worked for the Institute of Computing Technology Chinese Academy of Science and undertook projects such as the construction of the electronic financial system in Ningbo, 民政部農村社會養老保險管理系統 (management system for the rural pension scheme organised by the Ministry of Civil Affairs), 廣東省建行全省大聯網工程 (general network integration project of China Construction Bank in Guangdong Province, the billing system of 深圳有線電視台HFC網路 (HFC Network of Shenzhen Cable Television) and 中科院百所聯網工程 (Network connection project of academic institutes in the PRC by China Academy of Science) and obtained the qualification as an associate researcher in December 1995; he also worked for 國訊科技有限公司 (Guoxun Tec. Company Limited) as a manager of the department of system integration and was responsible for the construction of integrated billing system for the telecommunications of China at provincial level. Mr. Wang is an executive director of ZZNode (Shanghai), a subsidiary of the Company, and fully responsible for the business in Shanghai, since July 2004.

Mr. CHEN Guang An ("Mr. Chen"), aged 35, holds a bachelor degree of science from Shenyang Agricultural University, majoring in agricultural meteorology. Mr. Chen worked for the computer teaching and research section for the center of product development of 遼寧創業教學儀器有限公司 (Liaoling Chuang Ye Teaching Apparatus Company Limited) as a project manager and was responsible for the plan design, project application and after sales service of enterprise networks; he was transferred to 瀋陽創想網絡工程有限公司 (Shenyang Chuang Xiang Network Engineering Company Limited), a subsidiary of Liaoling Chuang Ye Teaching Apparatus Company Limited as a senior project manager and mainly responsible for education networks, the design of system plan of enterprise network projects, equipment installation test and adjustment, system installation and the design and construction and after-sale services related to integrated wiring systems. Mr. Chen is the general manager of ZZNode (Shanghai), a subsidiary of the Company, and responsible for the daily business in Shanghai, since July 2004.

Report of the Directors

The directors of the Company ("Directors") are pleased to present their annual report together with the audited consolidated financial statements of ZZNode Technologies Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 36 to the consolidated financial statements. The Group is principally engaged in the development and provision of telecommunications operational support system products and solutions in the PRC. The Group's activities including the sales of self-developed software, third party software and hardware, and maintenance, training and other services, are delivered as part of a total solution services provided by the Group. The rental income is generated from the operating leases of Group's investment properties. Securities trading is derived from the gross proceed for trading of financial assets at fair value through profit and loss. An analysis of the Group's performance for the year by business segments is set out in note 7 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 28.

DIVIDEND

The Directors did not recommend payment of final dividend for the year ended 31 December 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 30.

The Company had reserves available for distribution to shareholders amounted to RMB49,661,470 as at 31 December 2009 (2008: Nil).

Report of the Directors

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles of Association") requiring the Company to offer new shares to its existing shareholders in proportion to their shareholdings and there is no restriction against such rights under the laws of the Cayman Islands.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Ms. CHAN Shui Sheung Ivy	
Ms. SO Wai Lam	
Mr. LIU Yong Fei	
Mr. TIN Ka Pak	
Mr. CHEN Fu Ju	(Appointed on 1 July 2009)

Independent Non-executive Directors

Mr. CHOW Shiu Ki	
Mr. LAM Raymond Shiu Cheung	
Mr. LAM Ka Wai Graham	
Mr. WU Xian	(Appointed on 1 October 2009)
Mr. LEUNG Siu Kee	(Appointed on 22 December 2009)

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers all its independent non-executive Directors to be independent.

In accordance with article 86(3) of the Articles of Association, Mr. Chen Fu Ju, Mr. Wu Xian and Mr. Leung Siu Kee will hold office only until the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election at the AGM.

In accordance with article 87(1) of the Articles of Association, Mr. Chow Shiu Ki, Mr. Lam Raymond Shiu Cheung and Mr. Lam Ka Wai Graham will retire from office by rotation and, being eligible, offer themselves for re-election at the AGM.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Save as Mr. Wu Xian and Mr. Leung Siu Kee has entered a service agreement with the Company for a term of three years, none of the existing Directors has entered into any written service agreement with the Company, but they are subject to retirement by rotation and re-election in accordance with the Articles of Association.

None of the Directors being proposed for re-election at the forthcoming AGM has service agreement with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTIONS

Share Option Scheme

The Group operated an equity-settled share option scheme under which the Board might, at its discretion, offer any employees (whether full time or part time), executives or officers of the Company or any of its subsidiaries (including any executive Director), consultants, agents or legal and financial advisers to the Company or its subsidiaries whom the Board considered, in its sole discretion, as having contributed to the Company or any of its subsidiaries.

During the year, 40,496,000 shares option were granted under the Share Option Scheme. Movements of share options outstanding as at 31 December 2009 under the Share Option Scheme is summarised as follows, details of which are set out in note 31 to the consolidated financial statements:

Share Option Scheme

List of Grantees	Balance as at 1 January 2009	Granted during the year	Exercised during the year	Balance as at 31 December 2009	Exercise Price HK$	Date of Grant	Exercise Period
Name of directors							
Ms. CHAN Shui Sheung Ivy	–	300,000	(300,000)	–	1.27	08/10/2009	23/11/2009 – 22/11/2012
Ms. SO Wai Lam	–	300,000	(300,000)	–	1.27	08/10/2009	23/11/2009 – 22/11/2012
Mr. LIU Yong Fei	–	19,520,000	–	19,520,000	1.27	08/10/2009	23/11/2009 – 22/11/2012
Mr. TIN Ka Pak	–	300,000	(300,000)	–	1.27	08/10/2009	23/11/2009 – 22/11/2012
Mr. CHEN Fu Ju	–	19,520,000	–	19,520,000	1.27	08/10/2009	23/11/2009 – 22/11/2012
Mr. CHOW Shiu Ki	–	52,000	(52,000)	–	1.27	08/10/2009	23/11/2009 – 22/11/2012
Mr. LAM Raymond Shiu Cheung	–	52,000	(52,000)	–	1.27	08/10/2009	23/11/2009 – 22/11/2012
Mr. LAM Ka Wai Graham	–	52,000	(52,000)	–	1.27	08/10/2009	23/11/2009 – 22/11/2012
Mr. WU Xian	–	400,000	–	400,000	1.27	08/10/2009	23/11/2009 – 22/11/2012
	–	40,496,000	(1,056,000)	39,440,000			

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2009, the following Directors or chief executives of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the "SFO")) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Long position in the ordinary shares and underlying shares of the Company:

Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate interests	Approximate percentage of the issued share capital
Ms. CHAN Shui Sheung Ivy	Beneficial owner	300,000	–	300,000	0.07%
Ms. SO Wai Lam	Beneficial owner	72,000	–	72,000	0.02%
Mr. LIU Yong Fei	Beneficial owner	–	19,520,000	19,520,000	4.23%
Mr. CHEN Fu Ju	Beneficial owner	–	19,520,000	19,520,000	4.23%
Mr. LAM Raymond Shiu Cheung	Beneficial owner	52,000	–	52,000	0.01%
Mr. WU Xian	Beneficial owner	–	400,000	400,000	0.09%

Save as disclosed above, none of the Directors or chief executives of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2009, the following persons (other than Directors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares and underlying shares of the Company

Name of substantial shareholders of the Company	Nature of interests	No. of shares/ underlying shares in the Company	Approximate percentage of the issued share in the Company
Ascher Group Limited *(Note 1)*	Corporate	378,728,323	82.14%
Mr. Lu Xing ("Mr. Lu")	Held by controlled corporation *(Note 2)*	378,728,323	82.14%
Rotaland Limited *(Note 1)*	Corporate	1,077,919,075	233.79%
Mr. Ho Wai Kong ("Mr. Ho")	Held by controlled corporation *(Note 3)*	1,077,919,075	233.79%
Hensford Group limited	Corporate	61,000,000	13.23%
Ms. Yeung Yuk Wa	Beneficial owner	43,700,000	9.48%

Notes:

1. On 27 April 2008, Million Gold Holdings Limited, a wholly-owned subsidiary of the Company with limited liability, together with the Company, entered into an agreement with Rotaland Limited and Ascher Group Limited in relation to the acquisition of the entire issued share capital of Precious Luck (the "Acquisition"), a company incorporated in the British Virgin Islands with limited liability which is beneficially owned by Rotaland Limited as to 74% and Ascher Group Limited as to 26%. The Acquisition has been completed on 2 January 2010 and the convertible notes in the value of HK$196,560,000 and HK$559,440,000 at conversion price of HK$0.519 per share have been issued to Ascher Group Limited and Rotaland Limited respectively thereon.

2. Ascher Group Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu.

3. Rotaland Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ho.

Save as disclosed above, as at 31 December 2009, the Company had not been notified of any interest or short position being held by any substantial shareholder in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

COMPETING INTERESTS

As at 31 December 2009, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases for the year attributable to the Group's major suppliers is as follows:

	Percentage of purchases
The largest supplier	38.1%
Five largest suppliers combined	84.7%

The percentage of sales for the year attributable to the Group's major customers is as follows:

	Percentage of sales
The largest customer	37.0%
Five largest customers combined	86.0%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

RELATED PARTY TRANSACTIONS

Related party transactions during the year are disclosed in note 29 to the consolidated financial statements.

SUBSEQUENT EVENT

Pursuant to the announcement dated 2 January 2010 made by the Company, the acquisition of Precious Luck Enterprises Limited ("Precious Luck"), was completed on 2 January 2010. The Group is in the process of finalising the relevant financial information of Precious Luck.

On 11 February 2010, Champ Zone Limited, a wholly owned subsidiary of the Company, entered into the agreement in relation to the acquisition of entire interest in Bold Champion International Limited with its subsidiary principally engaged in provision of management services to the PRC media enterprises. The transaction is still not yet completed at the date of this report.

Details are set out in the announcement made by the Company dated 24 February 2010.

On 12 February 2010, the Group entered into a non-legally binding memorandum of understanding with five companies in relation to the potential acquisition of the subsidiary company managing Hunan Mobile.

Details are set out in the announcement made by the Company dated 25 February 2010.

REPORT OF THE DIRECTORS

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2009.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

CORPORATE GOVERNANCE

Please see the "Corporate Governance Report" set out on pages 20 to 25 of this annual report for details of its compliance with the Code on Corporate Governance Practices.

AUDITOR

The consolidated financial statements for the year ended 31 December 2007 were audited by Deloitte Touche Tohmatsu.

The consolidated financial statements for the two years ended 31 December 2008 and 2009 were audited by SHINEWING (HK) CPA Limited.

A resolution to re-appoint SHINEWING (HK) CPA Limited as auditor of the Company will be proposed at the AGM.

On behalf of the Board
Tin Ka Pak
Executive Director

Hong Kong, 5 March 2010

Corporate Governance Report

INTRODUCTION

Maintaining high standards of business ethics and corporate governance practices have always been one of the Company's goals. This report describes its corporate governance practices, explains the applications of the principles of the Code on Corporate Governance (the "CG Code") as set out in Appendix 14 of the Listing Rules and the deviations, if any.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the provisions of the CG Code except the following deviations. The Company believes that by achieving high standard of corporate governance, the corporate value and accountability of the Company can be enhanced and the shareholders' interests can be maximised. The directors of the Company ("Directors") acknowledge their responsibility for preparing the Company's accounts. The board of Directors (the "Board") has continued to monitor and review the Company's progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Company to ensure awareness to issues regarding corporate governance practices.

During the year ended 31 December 2009 and up to the date of this annual report, there are deviations according to the CG Code as stated in paragraph headed "Chairman and Chief Executive Officer" and "Non-executive Directors".

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exactly than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard in the Model Code and its code of conduct regarding Directors' securities transactions.

THE BOARD OF DIRECTORS

As at the date of this annual report, the Board consists of ten Directors, of whom five are the executive Directors, namely Ms. Chan Shui Sheung Ivy, Ms. So Wai Lam, Mr. Liu Yong Fei, Mr. Tin Ka Pak and Mr. Chen Fu Ju, and five are the independent non-executive Directors, namely Mr. Chow Shiu Ki, Mr. Lam Raymond Shiu Cheung, Mr. Lam Ka Wai Graham, Mr. Wu Xian and Mr. Leung Siu Kee. Their respective biographies are set out on pages 8 to 12 of this annual report. The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to rules 3.13 of the Listing Rules and the Company considers all its independent non-executive Directors to be independent.

Corporate Governance Report

The Company has set out the respective functions and responsibilities reserved to the Board and those delegated to management. The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for its approval. The Board is responsible for the approval and monitoring of the Company's overall strategies and policies; approval of business plans; evaluating the performance of the Company and oversight of management. Decisions of the Board are communicated to the management through executive Directors who have attended the Board meetings.

To the best knowledge of the Company, there is no financial business, family or other material/relevant relationship among the Directors, especially between the officers of the Company.

In the financial year ended 31 December 2009, 14 Board meetings were held. Details of the attendance record of the Directors are as follows:

		Attendance
Executive Directors		
Ms. CHAN Shui Sheung Ivy		10/14
Ms. SO Wai Lam		8/14
Mr. LIU Yong Fei		10/14
Mr. TIN Ka Pak		9/14
Mr. CHEN Fu Ju	(Appointed on 1 July 2009)	7/9
Independent Non-executive Directors		
Mr. CHOW Shiu Ki		7/14
Mr. LAM Raymond Shiu Cheung		7/14
Mr. LAM Ka Wai Graham		5/14
Mr. WU Xian	(Appointed on 1 October 2009)	5/6
Mr. LEUNG Siu Kee	(Appointed on 22 December 2009)	0/0

Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Directors will receive details of agenda items for decision and minutes of the committee meetings in advance of each Board meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

While after the resignation of chairman and chief executive officer of the Company on 20 February 2008, the Company does not have any officer with the title "chairman" and "chief executive officer". Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

Corporate Governance Report

NON-EXECUTIVE DIRECTORS

According to the code provision A.4.1 of the CG Code, all non-executive Directors should be appointed for a specific term of service.

The three independent non-executive Directors of the Company were appointed in January 2008, namely Mr. Chow Shiu Ki, Mr. Lam Raymond Shiu Cheung and Mr. Lam Ka Wai Graham, were not appointed for a specific term, while the other two independent non-executive Directors of the Company namely Mr. Wu Xian and Mr. Leung Siu Kee were appointed on 1 October 2009 and 22 December 2009 respectively for a three-years term of service. All the independent non-executive Directors are appointed and subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.

REMUNERATION COMMITTEE

The remuneration committee was established in 2005 with written terms of reference which complies with the Listing Rules. It is responsible for formulating and recommending the Board in relation to the remuneration policy, determining the remunerations of executive Directors and members of the senior management of the Company, and reviewing and making recommendations on the Company's share option scheme and other compensation-related issues. The remuneration committee consults with the Board on its proposals and recommendations.

As at the date of this annual report, the remuneration committee comprises of three independent non-executive Directors, namely Mr. Lam Ka Wai Graham, Mr. Lam Raymond Shiu Cheung and Mr. Leung Siu Kee, and one executive Director, namely Ms. Chan Shui Sheung Ivy. Mr. Lam Ka Wai Graham was appointed as the chairman of the remuneration committee.

During the year under review, the remuneration committee of the Company held four meetings and significant matters discussed are summarised as follows:

– To review the remuneration package of Directors and senior management

– To recommend the remuneration package of the newly appointed Directors to the Board for approval

Details of the attendance of the Company's remuneration committee members are as follows:

Members		**Attendance**
Mr. LAM Ka Wai Graham *(Chairman)*		4/4
Mr. LAM Raymond Shiu Cheung		4/4
Ms. CHAN Shui Sheung Ivy		4/4
Mr. LEUNG Siu Kee	(Appointed on 22 December 2009)	0/0

Corporate Governance Report

NOMINATION COMMITTEE

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy on or, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regards to the balance of skills and experience appropriate to the Group's business.

The nomination committee of the Company was established on 20 February 2008 with written terms of reference which complies with the Listing Rules. It currently consisted of four members, including three independent non-executive Directors, namely Mr. Chow Shiu Ki, Mr. Lam Ka Wai Graham and Mr. Leung Siu Kee, and one executive Director, namely Ms. Chan Shui Sheung Ivy. Mr. Chow Shiu Ki was appointed as the chairman of the nomination committee.

The nomination committee was discharged the following duties:

– review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

– identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

– assess the independence of independent non-executive Directors; and

– make recommendations to the board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer.

During the year, the nomination committee of the Company held four meetings and significant matters discussed are summarised as follows:

– To be involved in the assessment of the appointment of the Directors and made recommendation to the Board;

– To review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and independence of the independent non-executive Directors and make recommendation to the Board accordingly.

Details of the attendance of the committee members are as follows:

Members		**Attendance**
Mr. CHOW Shiu Ki *(Chairman)*		4/4
Ms. CHAN Shui Sheung Ivy		4/4
Mr. LAM Ka Wai Graham		4/4
Mr. LEUNG Siu Kee	(Appointed on 22 December 2009)	0/0

Corporate Governance Report

AUDIT COMMITTEE

The primary duties of the audit committee of the Company include overseeing the relationship with the Company's external auditors, review of financial information of the Group, and oversight of the Group's financial reporting system, internal control procedures and risk management. The Company has adopted written terms of reference which complies with the Listing Rules.

As at the date of this annual report, the Company's audit committee comprises all five independent non-executive Directors, namely Mr. Lam Ka Wai Graham, Mr. Lam Raymond Shiu Cheung, Mr. Chow Shiu Ki, Mr. Wu Xian and Mr. Leung Siu Kee. Mr. Lam Ka Wai Graham was appointed as chairman of the audit committee.

The audit committee convened two meetings during the year and the individual attendance of each audit committee member is as follows:

Members		**Attendance**
Mr. LAM Ka Wai Graham *(Chairman)*		2/2
Mr. LAM Raymond Shiu Cheung		2/2
Mr. CHOW Shiu Ki		2/2
Mr. WU Xian	(Appointed on 1 October 2009)	0/0
Mr. LEUNG Siu Kee	(Appointed on 22 December 2009)	0/0

The committee formally met two times during the year and other informal meetings were conducted as and when necessary. These meetings were held together with senior management and external auditors as and when necessary, to consider the external auditors' proposed audit fees, their independence and scope of the audit; review the internal control and risk management systems; review the interim and annual financial statements, particularly judgemental areas, accounting principles and practice adopted by the Group; review the external auditors' management letter and management's response; and review the Group's adherence to the CG Code. The Group's unaudited interim results and audited annual results in respect of the year ended 31 December 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITOR'S REMUNERATION

During the year, the remuneration in respect of audit services paid/payable to the Company's external auditor, SHINEWING (HK) CPA Limited, is amounted to HK$430,000.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

The Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to the shareholders of the Company, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Corporate Governance Report

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy of the financial position of the Group, and also enable the preparation of the financial statements in accordance with the applicable accounting standards.

Going Concern

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective internal control system for the Company. The system aims at providing reasonable (but not absolute) guarantees for the prevention of material untrue statements or losses, as well as management on the interruption of the Company's management system and risks existing in the course of arriving at the Company's objectives.

The Directors have conducted an annual review of the effectiveness of the internal control system of the Company and its subsidiaries for the year ended 31 December 2009. The review covers all material controls including financial, operational and compliance controls and risk management functions. The audit committee and the Board have discussed the relevant results of review, and agreed that internal control procedures and risk management systems have been implemented in the various major operation sectors.

INVESTOR RELATIONS

To foster effective communications, the Company provided all necessary information to the shareholders in its annual report and interim report. The Directors host the annual general meeting each year to meet the shareholders and answer to their enquiries. Directors make efforts to attend the AGM so that they may answer any questions from the Company's shareholders.

The Directors, the company secretary or other appropriate members of senior management will also respond to inquire from shareholders and investors promptly.

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE MEMBERS OF ZZNODE TECHNOLOGIES COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of ZZNode Technologies Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 84, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
5 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTES	2009 RMB	2008 RMB
Turnover	8	**31,334,168**	23,966,337
Revenue		**13,324,741**	23,966,337
Cost of sales and services		**(12,900,260)**	(18,973,234)
Gross profit		**424,481**	4,993,103
Other income	9	**1,410,393**	859,224
Selling and marketing expenses		**(25,314)**	(320,132)
Administrative expenses		**(38,920,836)**	(16,649,226)
Finance costs	10	**(16,134)**	(177,249)
Increase (decrease) in fair value of investment properties	19	**1,301,068**	(6,694,796)
Gain (loss) on disposal of subsidiaries	34	**8,508**	(15,351,725)
Gain on disposal of financial assets at fair value through profit or loss		**8,978,620**	50,465
Increase (decrease) in fair value of financial assets at fair value through profit or loss		**17,583,331**	(638,677)
Share of result of an associate	20	**1,556,650**	–
Loss before tax		**(7,699,233)**	(33,929,013)
Income tax (expense) credit	11	**(1,533,466)**	888,560
Loss for the year	12	**(9,232,699)**	(33,040,453)
Other comprehensive loss	13		
Exchange differences arising on translation and other comprehensive loss for the year (net of tax)		**(629,736)**	(5,974,014)
Total comprehensive loss for the year		**(9,862,435)**	(39,014,467)
Loss per share	17		
Basic (RMB cents)		**(2.24)**	(8.19)
Diluted (RMB cents)		**(2.18)**	N/A

Consolidated Statement of Financial Position

As at 31 December 2009

	NOTES	2009 RMB	2008 RMB
Non-current assets			
Property, plant and equipment	18	**3,918,267**	1,033,548
Investment properties	19	**7,393,231**	8,871,535
Interest in an associate	20	**1,556,650**	–
Deposit paid for acquisition of investment	21	**21,098,400**	21,228,000
Receivable in respect of a terminated transaction – long-term portion	22	**–**	15,479,000
		33,966,548	46,612,083
Current assets			
Amount due from an associate	23	**20,259,260**	–
Trade receivables	24	**6,507,243**	7,207,076
Prepayments, deposits and other receivables		**1,902,008**	1,165,638
Receivable in respect of a terminated transaction – current portion	22	**–**	28,746,000
Financial assets at fair value through profit or loss	25	**35,944,421**	7,986,593
Bank balances and cash	26	**84,972,644**	3,887,517
		149,585,576	48,992,824
Current liabilities			
Trade payables	27	**4,744,924**	8,493,069
Accrued charges and other payables		**7,624,726**	2,333,035
Tax payable		**1,533,466**	–
		13,903,116	10,826,104
Net current assets		**135,682,460**	38,166,720
		169,649,008	84,778,803
Capital and reserves			
Share capital	28	**47,748,941**	42,815,665
Reserves		**121,900,067**	41,963,138
		169,649,008	84,778,803

The consolidated financial statements on pages 28 to 84 were approved and authorised for issue by the Board of Directors on 5 March 2010 and are signed by:

Tin Ka Pak	**Chan Shui Sheung Ivy**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital RMB	Share premium RMB	Special reserve RMB (Note a)	Statutory surplus reserve RMB (Note b)	Discretionary reserve RMB (Note c)	Translation reserve RMB	Capital redemption reserve RMB (Note d)	Share option reserve RMB	Contribution from shareholders RMB (Note e)	Retained earnings RMB	Total RMB
At 1 January 2008	41,897,665	–	15,535,611	9,610,472	495,820	–	502,335	4,048,359	1,927,198	45,369,410	119,386,870
Total comprehensive loss for the year	–	–	–	–	–	(5,974,014)	–	–	–	(33,040,453)	(39,014,467)
Issue of shares upon exercise of share options	918,000	5,288,400	–	–	–	–	–	(1,800,000)	–	–	4,406,400
Disposal of subsidiaries	–	–	–	(9,610,472)	(495,820)	–	–	–	–	10,106,292	–
At 31 December 2008	42,815,665	5,288,400	15,535,611	–	–	(5,974,014)	502,335	2,248,359	1,927,198	22,435,249	84,778,803
Total comprehensive loss for the year	–	–	–	–	–	(629,736)	–	–	–	(9,232,699)	(9,862,435)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	19,088,834	–	–	19,088,834
Placing of new shares (net of expenses)	4,840,300	69,622,706	–	–	–	–	–	–	–	–	74,463,006
Issue of shares upon exercise of share options	92,976	1,585,597	–	–	–	–	–	(497,773)	–	–	1,180,800
At 31 December 2009	47,748,941	76,496,703	15,535,611	–	–	(6,603,750)	502,335	20,839,420	1,927,198	13,202,550	169,649,008

Notes:

(a) Special reserve represents the difference between the nominal value of the ordinary share issued by the Company and Beijing Zhizhen Node Technology Development Co., Ltd. ("ZZNode (Beijing)") and the aggregate of share capital and share premium or net assets of the subsidiaries acquired by the Company and ZZNode (Beijing) through the exchange of share.

(b) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the Company's subsidiaries in the PRC are required to appropriate 10% of their profit after tax each year calculated in accordance with the accounting principles and financial regulations applicable to companies established in the PRC ("PRC GAAP") to the statutory surplus reserve until the balance reaches 50% of the registered capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into registered capital and expansion of production and operation. For the capitalisation of statutory surplus reserve into registered capital, the remaining amount of such reserve shall not be less than 25% of the registered capital.

(c) Discretionary reserve is a distributable reserve and is appropriated from retained earnings in accordance with shareholders' approval. The discretionary reserve can be used for capitalisation of share capital.

(d) Capital redemption reserve represents a non-distributable reserve created in accordance with Section 37.4(a) of the Cayman Islands Law when the Company repurchases its own shares out of retained earnings. The reserve was created by transferring from the retained earnings an amount equivalent to the nominal value of the share repurchased to the capital redemption reserve.

(e) Contribution from shareholders represented balances advanced from shareholders in prior years for the share options granted as set out in note 31(b).

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTES	2009 RMB	2008 RMB
OPERATING ACTIVITIES			
Loss before tax		**(7,699,233)**	(33,929,013)
Adjustments for:			
Finance costs		**16,134**	177,249
Interest income		**(383,650)**	(146,052)
Dividend income		**(3,516)**	(80,096)
Depreciation of property, plant and equipment		**338,462**	478,291
Gain on disposal of investment property		**(407,902)**	–
Share the result of an associate		**(1,556,650)**	–
Loss on disposal of property, plant and equipment		**357,547**	–
Gain on disposal of financial assets at fair value through profit or loss		**8,978,620**	(50,465)
Increase (decrease) in fair value of financial assets at fair value through profit or loss		**(17,583,331)**	638,677
Amortisation of intangible assets		**–**	380,248
Discount on acquisition of subsidiaries	35	**–**	(232,907)
(Increase) decrease in fair value of investment properties		**(1,301,068)**	6,694,796
Provision for litigation claims		**1,075,000**	–
Share-based payment expenses		**19,088,834**	–
(Gain) loss on disposal of subsidiaries	34	**(8,508)**	15,351,725
Operating cash flows before movements in working capital		**910,739**	(10,717,547)
Decrease in inventories		**–**	4,293,132
Increase in amounts due from customers for integration solutions		**–**	(1,795,230)
Decrease (increase) in trade receivables		**699,833**	(2,715,425)
Increase in prepayments, deposits and other receivables		**(736,370)**	(3,458,297)
(Decrease) increase in trade payables		**(3,748,145)**	2,496,943
Increase in financial assets at fair value through profit or loss		**(19,353,117)**	–
Increase in note payables		**–**	992,000
Increase (decrease) in accrued charges and other payables		**4,216,691**	(8,013,663)
Cash used in operations		**(18,010,369)**	(18,918,087)
PRC enterprise income tax paid		**–**	(138,701)
NET CASH USED IN OPERATING ACTIVITIES		**(18,010,369)**	(19,056,788)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2009

	NOTES	2009 RMB	2008 RMB
INVESTING ACTIVITIES			
Decrease (increase) in receivable in respect of a terminated transaction		**44,225,000**	(44,225,000)
Proceeds from disposal of investment property		**3,187,274**	–
Interest received		**383,650**	146,052
Dividend received		**3,516**	80,096
Net cash inflow from disposal of subsidiaries	34	**3,497**	81,899,973
Proceeds from disposal of property, plant and equipment		**2,370**	–
Advance to an associate		**(20,259,260)**	–
Deposit paid for acquisition of investment		**–**	(21,228,000)
Net cash outflow from acquisition of subsidiaries	35	**–**	(15,510,497)
Purchase of property, plant and equipment		**(3,587,107)**	(79,375)
Purchase of financial assets at fair value through profit or loss		**–**	(10,798,342)
Decrease in bank deposits		**–**	(8,534,435)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	2,223,537
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**23,958,940**	(16,025,991)
FINANCING ACTIVITIES			
Issue of shares from placing		**74,463,006**	–
Issue of shares upon exercise of share options		**1,180,800**	4,406,400
Interest paid		**(16,134)**	(177,249)
Loan from a substantial ex-shareholder		**–**	7,000,000
Repayment of loan from a substantial ex-shareholder		**–**	(7,000,000)
Loan from a related company		**2,373,570**	–
Repayment of loan from a related company		**(2,373,570)**	–
NET CASH FROM FINANCING ACTIVITIES		**75,627,672**	4,229,151
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**81,576,243**	(30,853,628)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**3,887,517**	40,715,159
Effect of foreign exchange rate changes		**(491,116)**	(5,974,014)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**84,972,644**	3,887,517

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1. GENERAL

The Company was incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report. The directors do not consider any company to be the ultimate holding company of the Company.

The functional currency of the Company is Hong Kong Dollar ("HK$"). The functional currencies for its certain subsidiaries are Renminbi ("RMB"). For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 36.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – Interpretation ("Int") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) – Int 18	Transfers of Assets from Customers

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

The application of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvement to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lesee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisition")

A discount on acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate is incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Income from sales of self-developed software and sales of third party software and hardware is recognised when goods are delivered or accepted by the customers, whenever is later.

Maintenance, training and other services income is recognised when services are provided.

Notes to The Consolidated Financial Statements
For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(Continued)*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An item of investment properties is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Fair value adjustments on identifiable assets acquired arising on a acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is excluded in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL including financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at fair value through profit or loss *(Continued)*

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, amount due from an associate, receivable in respect of a terminated transaction and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables and accrued charges and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share option granted to employees under share option scheme and share incentive scheme

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

Share options granted to consultants under share option scheme and share incentive scheme

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting dates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment loss on receivables

Assessment of potential impairment in respect of receivables is made based on assessment of the recoverability of trade receivables, other receivables and receivable in respect of a terminated transaction as at 31 December 2009. The identification of potential impairment requires management judgment and estimates, based on available facts and the consideration of the circumstances. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade receivables, other receivables and a receivable in respect of a terminated transaction and the impairment provision/written back in the period in which the estimate has been changed. No allowance was recognised for both years.

Share-based payment expenses

The share-based payment expenses are subject to the limitations of the Black-Scholes Option Pricing Model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

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5. CAPITAL RISK MANAGEMENT

The Group manages its capital structure to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists principally of equity comprising share capital and reserves.

Management of the Group reviews the capital structure regularly, taking into account the cost and risk associated with the capital.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 RMB	2008 RMB
Financial assets		
Financial assets at FVTPL	**35,944,421**	7,986,593
Loans and receivables (including cash and cash equivalents)	**113,641,155**	56,447,776
	149,585,576	64,434,369
Financial liabilities		
Liabilities measured at amortised cost	**12,369,650**	10,826,104

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, amount due from an associate, receivable in respect of a terminated transaction, bank balances and cash, trade payables and accrued charges and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

The Group's activities expose it primarily to the financial risks of interest rate risk, foreign currency risk and other price risk. Market risk exposures are further measured by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to prevailing marketing rate on bank balances for both years (see note 26 for details).

Interest rate sensitivity

The sensitively analyses below have been determined based on the exposure to interest rates for non-derivatives instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2008:100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2008: 100 basis points) higher/lower and all other variable were held constant, the Group's loss for the year ended 31 December 2009 would decrease/increase by RMB850,000 (2008: RMB39,000).

Foreign currency risk

Certain bank balances of the Group are not denominated in RMB, the functional currency of the Group. Therefore, the Group subjects to foreign currency risk. The directors monitors foreign exchange exposure and will consider hedging the potential foreign currency exposure should a need arise.

Foreign currency sensitivity

There are no significant financial assets and financial liabilities denominated in currencies other than the functional currency for both years.

Other price risk

The Group is exposed to equity price risk through its investments in financial assets at FVTPL. The directors manage this exposure by maintaining a portfolio of investments with different risks. The Group's other price risk is mainly concentrated on equity instruments quoted in the Stock Exchange.

Other price sensitivity

The sensitivity analyses below have been determined based on the Group's exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% (2008: 10%) higher/lower, the Group's loss before taxation would decrease/increase by approximately RMB3,594,000 (2008: RMB799,000) as a result of the changes in the fair values of financial assets at FVTPL.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2009

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is mainly arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is reduced.

The Group has concentration of credit risk as 8% (2008: 87%) of the total trade receivables was due from the Group's the five largest customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group's financial liabilities (including trade payables, accrued charges and other payables) are all due on demand or within twelve months from the relevant end of the reporting periods.

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value

The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The other fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding carrying amounts.

The directors consider that the fair value of the long-term portion of receivable in respect of a terminated transaction approximates to its carrying amount as the impact of discounting is not significant.

Fair value measurements recognised in the consolidated statement of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are based on observable market data (unobservable inputs).

	31/12/2009			
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial assets at FVTPL	35,944,421	–	–	35,944,421

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For the year ended 31 December 2009

7. SEGMENT INFORMATION

The Group adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKASA 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group is principally engaged in the development and provision of telecommunications operational support system products and solutions in the PRC. The Group's activities including the sales of self-developed software and third party software and hardware and maintenance, training and other services, are delivered as part of a total solution services provided by the Group. The rental income is generated from the operating leases of Group's investment properties. Securities trading is derived from the gross proceed for trading of financial assets at fair value through profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. SEGMENT INFORMATION *(CONTINUED)*

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable segment.

For the year ended 31 December 2009

	Sales of self-developed software RMB	Sales of third party software and hardware RMB	Maintenance, training and other services RMB	Properties investments RMB	Securities trading RMB	Total RMB
TURNOVER						
External sales	–	2,669,491	10,655,250	–	18,009,427	31,334,168
Segment profit (loss)	–	210,440	374,096	1,708,970	8,978,620	11,272,126
Unallocated corporate expenses						(38,946,150)
Unallocated other income						842,436
Share of result of an associate						1,556,650
Finance costs						(16,134)
Gain on disposal of subsidiaries						8,508
Increase in fair value of financial assets at fair value through profit or loss	–	–	–	–	17,583,331	17,583,331
Loss before tax						(7,699,233)

Notes to The Consolidated Financial Statements

For the year ended 31 December 2009

7. SEGMENT INFORMATION *(CONTINUED)*

Segment turnover and results *(Continued)*

For the year ended 31 December 2008

	Sales of self-developed software RMB	Sales of third party software and hardware RMB	Maintenance, training and other services RMB	Properties investments RMB	Total RMB
TURNOVER					
External sales	2,729,141	4,654,458	16,540,282	42,456	23,966,337
Segment (loss) profit	(348,169)	1,347,245	3,664,656	(7,416,922)	(2,753,190)
Unallocated corporate expenses					(16,463,205)
Unallocated other income					816,356
Finance costs					(177,249)
Loss on disposal of subsidiaries					(15,351,725)
Loss before tax					(33,929,013)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of unallocated corporate expenses, unallocated other income, share of result of an associate, finance costs and loss/gain on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2009

7. SEGMENT INFORMATION *(CONTINUED)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2009 RMB	2008 RMB
Segment assets		
Sales of self-developed software	–	735,835
Sales of third party software and hardware	–	1,330,376
Maintenance, training and other services	6,507,243	5,140,865
Securities trading	35,944,421	–
Properties investments	7,393,231	8,871,535
Total segment assets	49,844,895	16,078,611
Unallocated corporate assets	133,707,229	79,526,296
Consolidated assets	183,552,124	95,604,907
Segment liabilities		
Sales of self-developed software	–	8,493,069
Sales of third party software and hardware	–	–
Maintenance, training and other services	4,744,924	–
Securities trading	–	–
Properties investments	–	14,215
Total segment liabilities	4,744,924	8,507,284
Unallocated corporate liabilities	9,158,192	2,318,820
Consolidated liabilities	13,903,116	10,826,104

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to reportable segments other than property, plant and equipment, interest in an associate, deposit paid for acquisition of investment, receivable in respect of a terminated transaction, amount due from an associate, prepayments, deposits and other receivables and bank balances and cash; and

- All liabilities are allocated to reportable segments other than accrued charges and other payables and tax payable.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2009

7. SEGMENT INFORMATION *(CONTINUED)*

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31 December 2009

	Sales of self-developed software RMB	Sales of third party software and hardware RMB	Maintenance, training and other services RMB	Properties investments RMB	Securities trading RMB	Consolidated RMB
Increase in fair value of investment properties	–	–	–	**1,301,068**	–	**1,301,068**

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31 December 2008

	Sales of self-developed software RMB	Sales of third party software and hardware RMB	Maintenance, training and other services RMB	Properties investments RMB	Consolidated RMB
Decrease in fair value of investment properties	–	–	–	6,694,796	6,694,796

Notes to The Consolidated Financial Statements
For the year ended 31 December 2009

7. SEGMENT INFORMATION *(CONTINUED)*

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's turnover from operations from external customers and information about its non-current assets by geographical location of assets are detailed below:

	Non-current assets		Turnover from external customers	
	31/12/2009	31/12/2008	**31/12/2009**	31/12/2008
	RMB	RMB	**RMB**	RMB
Hong Kong	**11,027,953**	9,527,935	**18,009,427**	42,456
PRC	**283,545**	377,148	**13,324,741**	23,923,881
	11,311,498	9,905,083	**31,334,168**	23,966,337

Note: Non-current assets excluded interest in an associate, deposit paid for acquisition of investment and receivable in respect of a terminated transaction – long-term portion.

Information about major customers

For the year ended 31 December 2009, the Group does not have any single significant customer with the transaction value above 10% of the external sales. For the year ended 31 December 2008, the Group's customer base included one customer with whom transactions had exceeded 10% of the Group's revenues. Revenues from this customer amounted to RMB2,875,321.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

8. TURNOVER

	2009 RMB	2008 RMB
Sales of self-developed software	–	2,729,141
Sales of third party software and hardware	2,669,491	4,654,458
Maintenance, training and other services	10,655,250	16,540,282
Rental income	–	42,456
Gross proceeds from trading of financial assets at fair value through profit or loss (note)	18,009,427	–
	31,334,168	23,966,337

note: Since the Group was actively engaged in trading of financial assets at fair value through profit or loss for the year ended 31 December 2009, this income was therefore classified as turnover in current year. For the year ended 31 December 2008, the net income from the disposal of financial assets at fair value through profit and loss was classified as other income.

9. OTHER INCOME

	2009 RMB	2008 RMB
Value-added tax refund income (note)	160,055	93,333
Dividend income	3,516	80,096
Discount on acquisition of subsidiaries	–	232,907
Interest income	383,650	146,052
Gain on disposal of investment property	407,902	–
Others	455,270	306,836
	1,410,393	859,224

note: In accordance with the Notice on Certain Issues of Tax Policies to Encourage the Development of Software and Integrated Circuits Industries (關於鼓勵軟件生產和集成電路產業發展有關稅收政策問題的通知) jointly issued by the Ministry of Finance, the State of General Administration of Taxation and the State of General Administration of Customs, an ordinary taxpayer shall be refunded, after subscribing 17% value-added tax on the income from sales of self-developed software products, an amount of 14% value-added tax on such income for the period from 24 June 2000 to 31 December 2010. On 24 January 2000, the Beijing Municipal Science and Technology Commission issued a Software Enterprise Verification Certificate (軟件企業認定證書) to ZZNode (Beijing), and on 20 February 2002, the Shanghai Information Office issued a Software Enterprise Verification Certificate (軟件企業認定證書) to 上海直真節點科技開發有限公司 ("ZZNode (Shanghai)"). Both ZZNode (Beijing) and ZZNode (Shanghai) were therefore entitled to receive refund of 14% of value-added tax paid from sales of self-developed software products after the tax refund notice (稅收收入退款書) has been approved. This tax refund was recognised as other income in the period upon the relevant conditions were fulfilled.

Notes to The Consolidated Financial Statements

For the year ended 31 December 2009

10. FINANCE COSTS

	2009	2008
	RMB	RMB
Interest on:		
Bank overdrafts	7	116
Loan from a substantial ex-shareholder (note 29)	–	177,133
Loan from a related company (note 29)	16,127	–
	16,134	177,249

11. INCOME TAX (EXPENSE) CREDIT

	2009	2008
	RMB	RMB
Taxation comprises:		
Hong Kong Profits Tax	(1,533,466)	–
Deferred tax (note 30)	–	888,560
	(1,533,466)	888,560

The statutory tax rate for ZZNode (Beijing) and ZZNode (Shanghai) is 25% (2008: 25%) and 20% (2008: 18%) respectively. However, they received preferential tax treatment as explained below:

ZZNode (Shanghai) is also recognised as an advanced technology and software enterprise according to the Shanghai State Tax Notices 滬國稅浦政 [2002] No. 70 of (Circular of the Ministry of Finance, the State Administration of Taxation and General Administration of Customs on the Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries)《關於鼓勵軟件產業和集成電路產業發展有關稅收政策問題的通知》approved by the State Tax Bureau and Local Tax Bureau of Pudong New District of Shanghai Municpality.

On 16 March 2007, the 10th National People Congress of PRC approved the PRC Enterprise Income Tax Law ("EIT Law"), being effective on 1 January 2008. Applicable income tax rate of entities within the Group currently apply 33% tax rate will be subject to 25% from 1 January 2008. According to Guo Fa [2007] No. 39, "Circular of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies", from 1 January 2008, the lower preferential tax rates enjoyed by certain enterprises shall gradually be increased to the statutory tax rate of 25% within 5 years from 1 January 2008.

Notes to The Consolidated Financial Statements

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11. INCOME TAX (EXPENSE) CREDIT *(CONTINUED)*

For entities still subject to the entitlement of summarised tax holidays (including two-year exemption and three-year half rate) under the then existing preferential tax treatments, the summarised tax holiday is allowed to be carried forward to 2008 and future years until their expiry. However, if an entity has not yet commenced its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards. Therefore, ZZNode (Shanghai) is subject to PRC Enterprise Income Tax at 20% (2008: 18%) for the year ended 31 December 2009.

No provision for PRC Enterprise Income Tax was made for both years since the assessable profit is wholly absorbed by tax losses brought forward.

Hong Kong Profits Tax was made in the consolidated statement of comprehensive income at 16.5% on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax was made in the consolidated statement of comprehensive income for 2008 as the Group did not have any assessable profit arising in Hong Kong for that year.

Income tax expense (credit) for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2009 RMB	2008 RMB
Loss before tax	**(7,699,233)**	(33,929,013)
Tax at the domestic income tax rate of 20% (2008: 18%) (note)	**(1,539,847)**	(6,107,222)
Tax effect of share of result of an associate	**(311,330)**	–
Tax effect of expenses not deductible for tax purpose	**3,383,344**	4,735,138
Tax effect of income not taxable for tax purpose	**(354,331)**	(72,720)
Tax effect of tax losses not recognised	**149,610**	919,826
Tax effect of deferred tax assets not recognised	**10,964**	225,323
Effect of different tax rates of subsidiaries operating in other jurisdictions	**254,306**	78,760
Utilisation of tax losses previously not recognised	**(59,250)**	(667,665)
Income tax expense (credit) for the year	**1,533,466**	(888,560)

note: Being the statutory tax rate of ZZNode (Shanghai) as ZZNode (Beijing) has no operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2009 RMB	2008 RMB
Directors' emoluments (note 14)	**22,054,892**	2,135,929
Other staff costs	**1,196,157**	1,322,677
Retirement benefits scheme contributions excluding directors' emoluments	**317,962**	687,299
Total staff costs	**23,569,011**	4,145,905
Auditor's remuneration	**379,771**	430,000
Depreciation of property, plant and equipment	**338,462**	478,291
Loss on disposal of property, plant and equipment		
– included in administrative expense	**350,178**	–
– included in costs of sales and services	**7,369**	–
Net exchange loss	**47,907**	42
Amortisation of intangible assets (included in administrative expenses)	**–**	380,248
Operating lease rentals in respect of rented premises	**2,322,255**	1,912,031
Provision for litigation claims	**1,075,000**	–

13. OTHER COMPREHENSIVE LOSS

Other comprehensive loss include exchange differences arising on translating foreign operations amounted to RMB629,736 (2008: RMB5,974,014).

Notes to the Consolidated Financial Statements

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14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

For the year ended 31 December 2009

		Other emoluments			
	Fees RMB	Salaries and other benefits RMB	Retirement benefits scheme contributions RMB	Share-based payment expenses RMB	Total emoluments RMB
Executive directors:					
Liu Yong Fei	–	1,142,830	10,549	9,201,255	10,354,634
Chan Shui Sheung Ivy	–	395,595	16,263	141,413	553,271
So Wai Lam	–	263,730	10,549	141,413	415,692
Tin Ka Pak	–	263,730	10,549	141,413	415,692
Chen Fu Ju *(note 1)*	–	343,066	5,274	9,201,255	9,549,595
Independent non-executive directors:					
Chow Shiu Ki	158,238	–	–	24,512	182,750
Lam Raymond Shiu Cheung	158,238	–	–	24,512	182,750
Lam Ka Wai Graham	158,238	–	–	24,512	182,750
Wu Xian *(note 2)*	26,373	–	–	188,549	214,922
Leung Siu Kee *(note 3)*	2,836	–	–	–	2,836
Total	503,923	2,408,951	53,184	19,088,834	22,054,892

notes:

(1) Appointed on 1 July 2009

(2) Appointed on 1 October 2009

(3) Appointed on 22 December 2009

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14. DIRECTORS' EMOLUMENTS *(CONTINUED)*

For the year ended 31 December 2008

		Other emoluments		
	Fees RMB	Salaries and other benefits RMB	Retirement benefits scheme contributions RMB	Total emoluments RMB
Executive directors:				
Liu Yong Fei *(note 1)*	–	667,676	6,192	673,868
Chan Shui Sheung Ivy *(note 2)*	–	346,651	15,177	361,828
So Wai Lam *(note 2)*	–	215,733	9,958	225,691
Tin Ka Pak *(note 1)*	–	133,535	6,162	139,697
Jin Jianlin *(note 5)*	–	83,976	2,629	86,605
Wang Feixue *(note 5)*	–	54,652	2,919	57,571
Yuan Juan *(note 5)*	–	40,908	2,919	43,827
Christian Emil TOGGENBURGER *(note 3)*	–	37,092	1,855	38,947
Hu Rong *(note 5)*	–	20,646	1,426	22,072
Non-executive director:				
Zhang Suyang *(note 5)*	–	–	–	–
Independent non-executive directors:				
Chow Shiu Ki *(note 2)*	149,366	–	–	149,366
Lam Raymond Shiu Cheung *(note 2)*	149,366	–	–	149,366
Lam Ka Wai Graham *(note 4)*	147,226	–	–	147,226
Chen Xiaohong *(note 5)*	13,790	–	–	13,790
He Xingui *(note 5)*	13,790	–	–	13,790
Hung Randy King Kuen *(note 5)*	12,285	–	–	12,285
Total	485,823	1,600,869	49,237	2,135,929

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14. DIRECTORS' EMOLUMENTS *(CONTINUED)*

notes:

(1) Appointed on 2 June 2008

(2) Appointed on 24 January 2008

(3) Appointed on 24 January 2008 and retired on 29 May 2008

(4) Appointed on 29 January 2008

(5) Resigned on 20 February 2008

None of the directors has waived any emoluments during the two years ended 31 December 2009 and 2008.

15. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2008: five) were directors of the Company whose emoluments are included in note 14 above. The emoluments of the remaining one individual (2008: Nil) were as follows:

	RMB
Salaries and other benefits	666,355
Retirement benefits scheme contributions	12,000
	678,355

The emolument was within the following band:

	Number of employee	
	2009	2008
Nil to RMB1,000,000	**1**	–

During the two years ended 31 December 2009 and 2008, no emolument was paid by the Group to the directors or the highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDEND

No dividend was paid or proposed during the year nor has any dividend been proposed since the end of the reporting period (2008: Nil).

17. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of RMB9,232,699 (2008: RMB33,040,453) and weighted average number of ordinary shares of 412,176,406 (2008: 403,661,202).

The calculation of the diluted earnings per share attributable to the owners of the Company is based on the following data:

Number of shares	**Year ended 31/12/2009**	Year ended 31/12/2008
Weighted average number of ordinary shares for the purpose of basic earnings per share	**412,176,406**	403,661,202
Effect of dilutive potential ordinary shares: share options	**12,204,424**	–
	424,380,830	403,661,202

For the year ended 31 December 2008, no diluted loss per share has been presented because there were no potential ordinary shares outstanding for the year.

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18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB	Leasehold improvements RMB	Furniture and fixtures RMB	Computers and equipment RMB	Motor vehicles RMB	Total RMB
COST						
At 1 January 2008	14,554,349	3,618,000	239,814	7,784,058	896,962	27,093,183
Acquired on acquisition of a subsidiary	–	–	498,626	239,363	–	737,989
Additions	–	–	48,603	30,772	–	79,375
Disposal of subsidiaries	(14,554,349)	(3,618,000)	(161,264)	(6,625,983)	(896,962)	(25,856,558)
At 31 December 2008	–	–	625,779	1,428,210	–	2,053,989
Additions	–	–	40,697	30,010	3,516,400	3,587,107
Disposals	–	–	(492,230)	(336,855)	–	(829,085)
Exchange alignment	–	–	(3,342)	(1,617)	–	(4,959)
At 31 December 2009	–	–	170,904	1,119,748	3,516,400	4,807,052
DEPRECIATION						
At 1 January 2008	1,615,573	3,025,468	82,196	5,241,370	498,418	10,463,025
Provided for the year	57,429	–	127,404	284,181	9,277	478,291
Eliminated upon disposal of subsidiaries	(1,673,002)	(3,025,468)	(76,114)	(4,638,596)	(507,695)	(9,920,875)
At 31 December 2008	–	–	133,486	886,955	–	1,020,441
Provided for the year	–	–	133,057	183,428	21,977	338,462
Eliminated upon disposals	–	–	(222,589)	(246,579)	–	(469,168)
Exchange alignment	–	–	(775)	(175)	–	(950)
At 31 December 2009	–	–	43,179	823,629	21,977	888,785
CARRYING VALUES						
At 31 December 2009	–	–	127,725	296,119	3,494,423	3,918,267
At 31 December 2008	–	–	492,293	541,255	–	1,033,548

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	5%
Leasehold improvements	Over the term of the leases
Furniture and fixtures	20%
Computers and equipment	20%
Motor vehicles	12.5%

19. INVESTMENT PROPERTIES

	RMB
FAIR VALUES	
At 1 January 2008	–
Acquired on acquisition of subsidiaries	15,566,331
Decrease in fair value recognised in the consolidated statement of comprehensive income	(6,694,796)
At 31 December 2008	8,871,535
Increase in fair value recognised in the consolidated statement of comprehensive income	1,301,068
Disposals	(2,779,372)
At 31 December 2009	7,393,231

The Group's investment properties are situated in Hong Kong and are held under long-term leases. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by Jointgoal Surveyors Limited, independent qualified professional valuers not connected with the Group. Jointgoal Surveyors Limited are members of the Institute of Valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

No property rental income earned during the year (2008: RMB42,456). They generated a rental yield of 0.48% for the year ended 31 December 2008.

20. INTEREST IN AN ASSOCIATE

	2009 **RMB**	2008 RMB
Cost of interest in an associate		
Unlisted equity interest	**–**	–
Share of post-acquisition profit and other comprehensive income	**1,556,650**	–
	1,556,650	–

At 5 July 2009, the Group disposed 51% equity interests in Apex One Enterprises Limited ("Apex One") to independent third parties at a consideration of RMB3,497. Thereafter, Apex One became an associate of the Group.

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20. INTEREST IN AN ASSOCIATE *(CONTINUED)*

As at 31 December 2009, the Group had interests in the following associate:

Name of entity	Form of entity	Place of incorporation/ operation	Class of shares held	Proportion nominal value of issued capital by the Group	Principal activity
Apex One Enterprises Ltd	Incorporated	British Virgin Islands/ Hong Kong	Ordinary	49%	Securities trading

The summarised financial information in respect of the associate during the year as at 31 December 2009 is set out below:

	RMB
Total assets	23,611,915
Total liabilities	(20,435,079)
Net assets	3,176,836
Group's share of net assets of the associate	1,556,650
Turnover	18,979,411
Cost of sales	(16,813,064)
Gross profit	2,166,347
Other income	1,062,800
Operating expenses	(51,415)
Profit before tax	3,177,732
Income tax expense	–
Profit for the year	3,177,732
Other comprehensive income	–
Group's share of profit and other comprehensive income of the associate for the year	1,556,650

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21. DEPOSIT PAID FOR ACQUISITION OF INVESTMENT

The balance represented HK$24,000,000 (approximately RMB21,228,000 with exchange difference of RMB129,600) paid as a deposit for the acquisition of Precious Luck Enterprises Limited ("Precious Luck") to independent third parties. The transaction was completed on 2 January 2010 and the announcement was made on the same date. Details of the transaction were set out in the circular made by the Company dated 26 October 2009, and the announcements made by the Company dated 13 May 2008, 3 June 2008, 30 June 2008, 29 July 2008, 4 August 2008, 1 September 2008, 30 September 2008, 29 October 2008, 30 December 2008, 30 January 2009, 26 March 2009, 22 April 2009, 21 May 2009, 11 June 2009, 10 July 2009, 11 September 2009, 23 October 2009, 16 November 2009 and 2 January 2010.

22. RECEIVABLE IN RESPECT OF A TERMINATED TRANSACTION

As at 31 December 2008, the Group had a receivable of HK$50,000,000 (approximately RMB44,225,000) in respect of a terminated transaction. The details of the termination of the transaction were set out in the announcement of the Company dated 22 December 2008. The balance was unsecured and bore interest at 3% per annum.

	2009	2008
	RMB	RMB
Non-current portion	**–**	15,479,000
Current portion	**–**	28,746,000
	–	44,225,000

23. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, interest-free and repayable on demand. The details of the amount due are set out in the announcement made by the Company dated 10 July 2009.

24. TRADE RECEIVABLES

	2009	2008
	RMB	RMB
Trade receivables	**6,507,243**	7,207,076
Less: accumulated impairment loss	**–**	–
	6,507,243	7,207,076

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24. TRADE RECEIVABLES *(CONTINUED)*

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables net of accumulated impairment loss presented based on the invoice date at the reporting date:

	2009	2008
	RMB	RMB
Within 90 days	**5,977,643**	6,912,287
91-180 days	**529,600**	294,789
	6,507,243	7,207,076

Before accepting any new customer, the Group assesses the potential customer's credit quality and define credit limits for that customer. The credit limits granted to customers are reviewed periodically and when necessary. Over 92% of the trade receivables were neither past due nor impaired at 31 December 2009 (2008: 95%). These trade receivables comprise principally receivables from strategic partners and infrastructural telecommunications service providers with a reputable credit standing.

Included in the Group's trade receivable balance are debtors with a carrying amount of approximately RMB529,600 which were past due at 31 December 2009 (2008: RMB294,789) with age between 91 to 180 days and which the Group has not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these trade receivables at 31 December 2009 is approximately 145 days (2008: 135 days).

Movements of accumulated impairment losses on trade receivables are set out as follows:

	2009	2008
	RMB	RMB
Balance at 1 January	**–**	9,680,108
Disposal of subsidiaries	**–**	(9,680,108)
Balance at 31 December	**–**	–

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
	RMB	RMB
Hong Kong listed equity securities held for trading, at fair value	**35,944,421**	7,986,593

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26. BANK BALANCES

Bank balances carry interest at market rates which range from 0.001% to 0.36% per annum (2008: 0.05% to 0.38% per annum). Bank balances of RMB84,939,793 (2008: RMB1,177,079) are denominated in HK$.

27. TRADE PAYABLES

The following is an aged analysis of trade payables and presented based on the invoice date at end of the reporting period.

	2009 RMB	2008 RMB
Within 90 days	**4,744,924**	8,493,069

28. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	2009	2008	2009 HK$	2008 HK$	2009 RMB	2008 RMB
Ordinary shares of HK$0.1 each						
Authorised:						
At beginning of the year	1,000,000,000	1,000,000,000	100,000,000	100,000,000	106,000,000	106,000,000
Increased during the year	9,000,000,000	–	900,000,000	–	773,100,000	–
At end of the year	10,000,000,000	1,000,000,000	1,000,000,000	100,000,000	879,100,000	106,000,000
Issued:						
At beginning of the year	405,000,000	395,000,000	40,500,000	39,500,000	42,815,665	41,897,665
Issue of new shares through private placement	55,000,000	–	5,500,000	–	4,840,300	–
Issue of shares upon exercise of share options	1,056,000	10,000,000	105,600	1,000,000	92,976	918,000
At end of the year	461,056,000	405,000,000	46,105,600	40,500,000	47,748,941	42,815,665

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's shares during the two years ended 31 December 2009 and 2008.

On 16 November 2009, the authorised share capital of the Company was increased from HK$100,000,000 to HK$1,000,000,000.

On 2 November 2009 and 8 December 2009, arrangements were made for private placement to independent private investors of 35,000,000 and 20,000,000 shares respectively of HK$0.10 each in the Company, at a price of HK$1.4 and HK$2 per share respectively representing a discount of approximately 17.16% and 5.66% respectively to the closing market price of the Company's shares on the respective dates.

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28. SHARE CAPITAL *(CONTINUED)*

On 23 November 2009, 25 November 2009, 2 December 2009 and 3 December 2009, 1,056,000 share options were exercised by the directors of the Company at a subscription price of HK$1.27 per share, for a total consideration of HK$1,341,120 (approximately RMB1,181,000), resulting in the issue of 1,056,000 new ordinary shares of HK$0.1 each.

On 21 January 2008, 10,000,000 share options were exercised by the directors of the Company at a subscription price of HK$0.48 per share, for a total consideration of HK$4,800,000 (approximately RMB4,406,400), resulting in the issue of 10,000,000 new ordinary shares of HK$0.1 each.

All new shares issued during the years ended 31 December 2009 and 2008 rank pari passu in all respects with other shares in issue.

29. RELATED PARTY TRANSACTIONS

During the years, the Group entered into the following transactions with related parties.

	2009	2008
	RMB	RMB
Interest expenses paid to Fameway Finance Ltd ("Fameway")	**16,127**	–
Interest expenses paid to Richcom Group Limited ("Richcom")	**–**	177,133

Notes:

(1) Ms. Chan Shui Sheung Ivy has indirect interest in Fameway. The loan was unsecured, interest bore at 8% per annum and repayable on demand.

(2) Richcom, a wholly-owned subsidiary of PME Group Limited, was a substantial ex-shareholder of the Company for year ended 31 December 2008. The loan was unsecured, interest bore at 5.25% per annum and repayable on demand.

The following balances were outstanding at the end of the reporting period:

	2009	2008
	RMB	RMB
Amount due from an associate	**20,259,643**	–

Compensation of key management personnel

The remuneration of directors and other members of key management during the two years ended 31 December 2009 and 2008 was disclosed in notes 14 and 15 respectively.

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30. DEFERRED TAX LIABILITIES (ASSETS)

The following are the major deferred tax liabilities (assets) recognised during the years:

	Fair value changes of investment properties	Deferred software development expenditure	Impairment loss on trade receivables	Total
	RMB	RMB	RMB	RMB
At 1 January 2008	–	342,224	(342,224)	–
Disposal of subsidiaries	–	(342,224)	342,224	–
Acquired on acquisition of subsidiaries	888,560	–	–	888,560
Credit to profit or loss for the year (note 11)	(888,560)	–	–	(888,560)
At 31 December 2008 and 2009	–	–	–	–

As at 31 December 2009, the Group has approximately RMB57,288,000 unused tax losses and RMB1,049,000 deductible temporary difference (2008: RMB56,727,000 and RMB982,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB7,229,000 (2008: RMB3,516,000) that will expire in 2012. Other losses may be carried forward indefinitely.

31. SHARE-BASED PAYMENTS

Equity-settled share options schemes:

(a) Share option scheme

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company on 31 October 2004 (the "Share Option Scheme"), the Company may grant options to the directors or employees of the Company or its subsidiaries who meet the relevant criteria set out in the Share Option Scheme (the "Participants") as incentives and rewards for their contributions to the Group, to subscribe for shares in the Company with a payment of HK$1.00 upon each grant of options offered and the options granted must be taken up within 30 days from the date of grant. The exercise price of the share option will be determined at the higher of the average of closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant of the options, the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant and the nominal value of the shares.

The share options are exercisable at any time during a year of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme and any conditions of grant as may be stipulated by the board of the directors.

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31. SHARE-BASED PAYMENTS *(CONTINUED)*

(a) Share option scheme *(Continued)*

The maximum number of shares in respect of which options may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes shall not exceed 30% of the number of shares of the Company in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares of the Company in issue as at the date of approval of the Share Option Scheme unless further shareholders' approval has been obtained pursuant to the conditions set out in the Share Option Scheme. No person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 month period up to the date of grant are exercised in full would result in such person's maximum entitlement exceeding 1% of the number of shares of the Company in issue.

During the year ended 31 December 2009, options were granted on 8 October 2009 under the Share Option Scheme. As at 31 December 2008, no option was granted under the Share Option Scheme and all the outstanding options are either exercised or cancelled upon the resignation of directors and senior management during the year.

Movements of the share options issued under the Share Option Scheme held by participants during the year ended 31 December 2009 were:

For the year ended 31 December 2009

	Number of share options				
Option category	**At 1/1/2009**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**At 31/12/2009**
2009 Directors	–	40,496,000	(1,056,000)	–	39,440,000

Details of specific categories of options are as follows:

Category	**Date of grant**	**Exercise period**	**Exercise price**
2009 Directors	8/10/2009	23/11/2009 – 22/11/2012	HK$1.27

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31. SHARE-BASED PAYMENTS *(CONTINUED)*

(a) Share option scheme *(Continued)*

Movements of the share options issued under the Share Option Scheme held by participants during the year ended 31 December 2008 were:

For the year ended 31 December 2008

	Number of share options				
Option category	**At 1/1/2008**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**At 31/12/2008**
2006 Directors	10,000,000	–	10,000,000	–	–
2007 Directors	11,400,000	–	–	(11,400,000)	–
2007 Senior management	3,500,000	–	–	(3,500,000)	–
Total	24,900,000	–	10,000,000	(14,900,000)	–

Details of specific categories of options are as follows:

Category	**Date of grant**	**Exercise period**	**Exercise price**
2006 Directors	20/1/2006	20/1/2007 – 20/1/2011	HK$0.48
2007 Directors	23/4/2007	24/4/2008 – 24/4/2012	HK$0.50
2007 Senior management	23/4/2007	24/4/2008 – 24/4/2012	HK$0.50

The share options granted to the directors in 2006 and 2007 are fully vested at grant date. The share options granted to the senior management in 2007 are exercisable subject to a vesting scale which shall commence on the date of grant in tranches of 20% each, reaching 100% on 24 April 2011. The share options are cancelled upon disposal of subsidiaries and resignation of directors and senior management during the year ended 31 December 2008.

The estimated fair value per share option granted on 8 October 2009 was approximately HK$0.54 for share options granted to directors. The share option granted in 2009 are vested on 23 November 2009. The fair value of the options issued under the Share Option Scheme was calculated using the Black-Scholes Model. The inputs into the model were as follows:

	Date of grant 8/10/2009
Share price	HK$1.27
Exercise price	HK$1.27
Expected volatility	96.76%
Expected life (year)	1.626
Risk-free rate	0.393%
Expected dividend yield	0%

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31. SHARE-BASED PAYMENTS *(CONTINUED)*

(a) Share option scheme *(Continued)*

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

In respect of the share option exercised during the year, the weighted average share price at the date of exercise is HK$2.14.

The Group recognised the total expense of RMB19,088,834 for the year 31 December 2009 in relation to the above share options granted by the Company.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

(b) Share incentive scheme

The share incentive scheme was established by three shareholders of the Company, representing 18,000,000 shares and 4.5% of the enlarged issued share capital of the Company after the listing of the Company ("Share Incentive Scheme"). The purpose of the Share Incentive Scheme is to issue options to selected employees, officers, consultants, agents and advisers of the Group who meet the relevant eligibility criteria set out in the Share Incentive Scheme (the "Eligible Participants"). The employee participants must have been employed by a member of the Group prior to the listing of the Company in November 2004.

The Share Incentive Scheme shall remain in full force and effect for so long as is necessary to give effect to the issue and exercise of options granted in accordance with its terms.

The exercise price per share under the Share Incentive Scheme is HK$0.20 and each tranche of option has a term of five years from the first exercise date, after which any unexercised portion of an option shall lapse.

Each option will be exercisable subject to a vesting scale which shall commence on the date of grant in tranches of 20% each year, reaching 100%.

At 31 December 2009 and 2008, no outstanding of option granted under the Share Incentive Scheme.

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31. SHARE-BASED PAYMENTS *(CONTINUED)*

(b) Share incentive scheme *(Continued)*

Movements of the share options issued under the Share Incentive Scheme held by Eligible Participants during the two years ended 31 December 2009 and 2008 were set out below:

		Number of share options		
	Option category	**At 1/1/2008**	**Cancelled during the year**	**At 31/12/2008 and 2009**
Employees	2004	5,425,400	(5,425,400)	–
Consultants	2004	990,000	(990,000)	–
Consultants	2005	976,000	(976,000)	–
Employees	2006	972,000	(972,000)	–
		8,363,400	(8,363,400)	–

Details of specific categories of options are as follows:

Category	**Date of grant**	**Exercise period**	**Exercise price**
2004	27/10/2004	18/11/2005 – 18/11/2009	HK$0.2
2005	22/12/2005	21/12/2006 – 21/12/2010	HK$0.2
2006	14/3/2006	14/3/2007 – 14/3/2011	HK$0.2

During the two years ended 31 December 2009 and 2008, no option was granted. All the share options were cancelled during the year ended 31 December 2008.

32. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2009 RMB	2008 RMB
Within one year	**1,472,225**	2,038,258
In the second to fifth year inclusive	**–**	1,464,100
	1,472,225	3,502,358

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

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33. RETIREMENT BENEFITS SCHEME

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. During the year ended 31 December 2009, the total amount contributed by the Group to the scheme and charged to the consolidated statement of comprehensive income was RMB82,652 (2008: RMB74,570) and no contributions were forfeited.

The Group's subsidiaries in the PRC participate in the retirement benefits scheme established by the government for the qualifying employees in the PRC. The assets of the scheme are held separately from the assets of the Group. Under the scheme, contributions made by the Group are calculated on the basis of 19% to 20% of the enrolled employees' salaries. Apart from the above, the Group has no further obligations under the retirement benefits scheme. The amount of such contributions charged to the consolidated statement of comprehensive income was RMB288,494 (2008: RMB661,966).

34. DISPOSAL OF A SUBSIDIARY

At 5 July 2009, the Group disposed of a subsidiary, Apex One, for a consideration of RMB3,497. Details refer to note 20. For net liabilities of Apex One at the date of disposal were as follow:

	RMB
Net liabilities disposed of:	
Amount due from immediate holding company	6,839
Amount due to ultimate holding company	(7,736)
Amount due to a fellow subsidiary	(4,114)
	(5,011)
Gain on disposal	8,508
Total consideration	3,497
Total consideration satisfied by:	
Cash consideration	3,497
Net cash inflow from the disposal	
Cash consideration	3,497

The disposal of Apex One has no material impact on the Group's results and cash flows in the current and prior periods.

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34. DISPOSAL OF A SUBSIDIARY *(CONTINUED)*

During the year ended 31 December 2008, the Group disposed of the entire interest in Modern Age Investment Limited and its subsidiary, Beijing Zhizhen Node Technology Development Co., Ltd. (the "Disposal Group") for a consideration of HK$110,000,000 (approximately RMB102,300,000).

The details of the disposal are set out in the circular issued by the Company dated 21 December 2007.

	RMB
Net assets disposed of:	
Property, plant and equipment	15,935,683
Intangible assets	1,901,242
Interest in an associate	6,190,199
Inventories	207,974
Amounts due from customers for integration solutions	14,137,112
Trade receivables	22,922,322
Prepayments, deposits and other receivables	8,283,445
Bank deposits	45,537,662
Bank balances and cash	20,400,027
Trade payables	(6,070,375)
Note payables	(4,511,934)
Advances from customers, accrued charges and other payables	(6,864,262)
Tax liabilities	(417,370)
	117,651,725
Loss on disposal	(15,351,725)
Total consideration	102,300,000
Total consideration satisfied by:	
Cash consideration	102,300,000
Net cash inflow from the Disposal Group	
Cash consideration	102,300,000
Bank balances and cash disposed of	(20,400,027)
Net inflow of cash and cash equivalents in respect of the Disposal Group	81,899,973

The Disposal Group contributed cash outflow of approximately RMB3,100,000 in respect of operating activities for the year ended 31 December 2008. No cash flow movement in respect of investing and financing activity was contributed by the Disposal Group for the year ended 31 December 2008. The Disposal Group had no significant impact on the turnover and results of the Group.

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35. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2008, the Group acquired 100% of the issued share capital of certain property and asset holding companies for an aggregate consideration of HK$17,650,000 (equivalent to RMB15,611,425) from independent third parties. The acquisitions have been accounted for using the purchase method. The amount of discount on acquisition recorded as a result of acquisition was set out below:

	Acquiree's carrying amounts before combination	Fair value adjustments	Fair values
	RMB	RMB	RMB
Net assets acquired:			
Property, plant and equipment	737,989	–	737,989
Investment properties	10,181,120	5,385,211	15,566,331
Prepayments, deposits and other receivables	746,513	–	746,513
Bank balances and cash	100,928	–	100,928
Accrued charges and other payables	(418,869)	–	(418,869)
Deferred tax liabilities	–	(888,560)	(888,560)
	11,347,681	4,496,651	15,844,332
Discount on acquisition of subsidiaries			(232,907)
			15,611,425
Total consideration satisfied by:			
Cash consideration			15,611,425
Net cash outflow arising on acquisition of subsidiaries:			
Cash consideration			15,611,425
Bank balances and cash acquired			(100,928)
Net outflow of cash and cash equivalents in respect of the acquisition			15,510,497

The acquired subsidiaries contributed approximately RMB9,200,000 to the Group's loss for the period between the date of acquisition and the reporting date.

If the acquisition had been completed on 1 January 2008, total group revenue for the period would had been RMB89,527,590, and profit for the period would had been RMB373,234. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on 1 January 2008, nor was it intended to be a projection of future results.

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36. INVESTMENTS IN PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2009 are as follows:

Name of company	Place of incorporation/ establishment	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of ownership interest/voting rights held by the Company Directly %	Indirectly %	Principal activities
Watson China Limited	Hong Kong	Ordinary	HK$1	–	100	Investment property holding
Best Earning Development Limited	Hong Kong	Ordinary	HK$1	–	100	Investment property holding
Alpaco Company Limited	British Virgin Islands ("BVI")	Ordinary	US$1	–	100	Investment property holding
ZZNode (Shanghai)	The PRC	Ordinary	RMB5,000,000	–	98	Provision of telecommunication OSS products and solutions

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at end of the year.

37. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2009, the Company announced that the acquisition of the Precious Luck, as disclosed in note 21, was completed on 2 January 2010. Precious Luck became a wholly-owned subsidiary of the Group for the year ending 31 December 2010. The consideration of the acquisition was HK$780 million (equivalent to RMB686 million), in which a deposit of HK$24 million was paid during the year ended 31 December 2008 and HK$756 million will be paid by issuing the convertible notes at conversion price of HK$0.519 per conversion price. There will be a total of approximately 1,456,647,398 shares, which represents approximately 315.94% of the existing issued share capital of the Company and approximately 75.96% of the enlarged issued share capital of the Company upon full conversion of the convertible notes. The convertible notes bear no interest and will be matured five years after issuance (2 January 2010). This transaction constituted a very substantial acquisition that details are set out in the circular made by the Company dated 26 October 2009.

The Group is in the process of finalising the relevant financial information of Precious Luck at date of completion and accordingly, the financial impact of the acquisition to the Group is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

37. EVENTS AFTER THE REPORTING PERIOD *(CONTINUED)*

In addition, the Group entered an acquisition agreement relating to the acquisition of entire interest in Bold Champion International Limited (the "Target Company") of which the principal activities were the provision of management services to the PRC media enterprises.

Pursuant to the acquisition agreement, a consideration of the acquisition is not more than HK$110 million which shall be adjusted according to a valuation report issued by the valuer. The consideration for the acquisition will be satisfied by the HK$10 million in cash payable within 30 business days after signing the acquisition agreement by the Group and the issue and allotment of the 100,000,000 new shares at the issue price by the Company to the vendors or their respective nominees at completion of the acquisition.

Details of the acquisition are set out in the announcement made by the Company dated 24 February 2010.

Besides, the Group entered into a non-legally binding memorandum of understanding relating to the proposed acquisition of the operation and management rights of 湖南廣電移動電視有限責任公司, a limited liability company incorporated in the PRC and interest derived therefrom.

Pursuant to the memorandum of understanding, including without limitation to, satisfaction of the results of due diligence exercises to be conducted by the Company, approval of the shareholders and the listing committee (if applicable), the Company intends to enter into the proposed acquisition. The parties agree to enter into further discussion and any party can terminate the memorandum of understanding should the formal agreement cannot be reached on or before 31 March 2010 or such other dates as shall be agreed by the parties.

The total consideration of the proposed acquisition and the manner as to satisfaction of the consideration will be based on a valuation report to be issued by the valuer appointed by the Company. The parties agreed that the total consideration of the proposed transaction would not exceed HK$5,000,000,000. The consideration to be settled by issue and allotment of consideration shares, the issue price of the consideration shares will be HK$1.923 per share, which represents a premium of 9.26% to the closing price of the shares on 11 February 2010, the last trading date preceding the entering of the memorandum of understanding, and the total number of consideration shares issued and allotted therefore shall not exceed 2,600,000,000 shares.

Details of the transaction are set out in the announcement made by the Company dated 25 February 2010.

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For the year ended 31 December 2009

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2009 RMB	2008 RMB
Non-current asset			
Investment in subsidiaries		**13,681**	13,764
Current assets			
Amount due from an associate	(a)	**39,727**	–
Amounts due from subsidiaries	(a)	**4,138,092**	–
Prepayments, deposits and other receivables		**2,661,043**	56,784
Financial assets at fair value through profit or loss		**35,944,421**	7,986,593
Bank balances and cash		**83,033,064**	157,741
		125,816,347	8,201,118
Current liabilities			
Accrued charges and other payables		**5,004,146**	869,166
Amounts due to subsidiaries	(a)	**21,882,005**	10,822,938
Tax payable		**1,533,466**	–
		28,419,617	11,692,104
Net current assets (liabilities)		**97,396,730**	(3,490,986)
		97,410,411	(3,477,222)
Capital and reserves			
Share capital		**47,748,941**	42,815,665
Reserves	(b)	**49,661,470**	(46,292,887)
		97,410,411	(3,477,222)

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38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Notes:

(a) Amounts due from (to) subsidiaries/an associate

The amounts due from (to) subsidiaries/an associate are unsecured, interest-free and repayable on demand.

(b) Reserves

	Share premium RMB	Special reserve RMB	Translation reserve RMB	Capital redemption reserve RMB	Share option reserve RMB	Contribution from shareholders RMB	Accumulated losses RMB	Total RMB
At 1 January 2008	–	74,463,808	–	502,335	4,048,359	1,927,198	(44,276,439)	36,665,261
Total comprehensive loss for the year	–	–	(14,401,600)	–	–	–	(72,044,948)	(86,446,548)
Issue of shares upon exercise of share options	5,288,400	–	–	–	(1,800,000)	–	–	3,488,400
At 31 December 2008	5,288,400	74,463,808	(14,401,600)	502,335	2,248,359	1,927,198	(116,321,387)	(46,292,887)
Total comprehensive income for the year	–	–	17,483,560	–	–	–	7,760,267	25,243,827
Placing of new shares, net of expense	69,622,706	–	–	–	–	–	–	69,622,706
Issue of shares upon exercise of share options	1,087,824	–	–	–	–	–	–	1,087,824
At 31 December 2009	75,998,930	74,463,808	3,081,960	502,335	2,248,359	1,927,198	(108,561,120)	49,661,470

The details of certain reserves are disclosed in the consolidated statement of changes in equity on page 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. COMPARATIVE FIGURES

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