Annual Report 2007

S & D INTERNATIONAL DEVELOPMENT GROUP LTD.
基 仕 達 國 際 發 展 集 團 有 限 公 司

(Formerly known as "SJTU Sunway Software Industry Limited
交 大 銘 泰 軟 件 實 業 有 限 公 司*")

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8148

* for identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors (the "Directors") of S & D International Development Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") for the purpose of giving information with regard to S & D International Development Group Limited. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

* Mr. Sze Wai, Marco
* Mr. Shang Guan Bu Yan
* Mr. Chen Si Gen
Mr. Tan Shu Jiang
** Mrs. Tinna Chan Yee
** Mrs. Sana Bakhtiar Ahmed
*** Mr. Henry Dicker Yee, *Chief Executive Officer*

* (resigned on 1 February 2007)
** (appointed on 1 February 2007)
***(appointed on 8 August 2007)

Independent non-executive Directors

* Mr. Wang Tian Ye
* Mr. Wang Bin
* Mr. Xu Shi Hong
** Mr. Chan Cheong Yee
** Mr. Ronald Garry Hopp
** Mr. Yip Tai Him

* (resigned on 27 March 2007)
** (appointed on 27 March 2007)

COMPANY SECRETARY

Mr. Ho Shu Pui, *CPA*
(resigned on 1 January 2007)
Mr. Lau King Tang, Vincent, *CPA*
(appointed on 1 February 2007 and resigned on 21 February 2007)
Ms. Tse Suk Yee, Teresa, *CPA*
(appointed on 27 February 2007)

QUALIFIED ACCOUNTANT

Mr. Ho Shu Pui, *CPA*
(resigned on 1 January 2007)
Mr. Lau King Tang, Vincent, *CPA*
(appointed on 1 February 2007 and resigned on 21 February 2007)
Ms. Tse Suk Yee, Teresa, *CPA*
(appointed on 27 February 2007)

AUDIT COMMITTEE

* Mr. Wang Tian Ye
* Mr. Wang Bin
* Mr. Xu Shi Hong
** Mr. Yip Tai Him, *Chairman*
** Mr. Chan Cheong Yee
** Mr. Ronald Garry Hopp

* (resigned on 27 March 2007)
** (appointed on 27 March 2007)

REMUNERATION COMMITTEE

* Mr. Wang Tian Ye
* Mr. Wang Bin
* Mr. Xu Shi Hong
*** Mr. Sze Wai, Marco
** Mr. Chan Cheong Yee, *Chairman*
** Mr. Yip Tai Him
** Mr. Ronald Garry Hopp

* (resigned on 27 March 2007)
** (appointed on 27 March 2007)
*** (resigned on 1 February 2007)

NOMINATION COMMITTEE

* Mr. Wang Tian Ye
* Mr. Wang Bin
* Mr. Xu Shi Hong
*** Mr. Sze Wai, Marco
** Mr. Ronald Garry Hopp, *Chairman*
** Mr. Chan Cheong Yee
** Mr. Yip Tai Him

* (resigned on 27 March 2007)
** (appointed on 27 March 2007)
*** (resigned on 1 February 2007)

AUTHORISED REPRESENTATIVES

Mr. Tan Shu Jiang
(resigned on 1 February 2007)
Mrs. Tinna Chan Yee
(appointed on 1 February 2007 and resigned on 20 August 2007)
Ms. Tse Suk Yee, Teresa, *CPA*
(appointed on 27 February 2007)
Mr. Henry Dicker Yee
(appointed on 20 August 2007)

CORPORATE INFORMATION

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 2801, 28/F China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

COMPLIANCE OFFICER
Mr. Tan Shu Jiang
(resigned on 1 February 2007)
Mrs. Tinna Chan Yee
(appointed on 1 February 2007
and resigned on 20 August 2007)
Mr. Henry Dicker Yee
(appointed on 20 August 2007)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Bank of Bermuda (Cayman) Limited
2nd Floor, Strathvale House
North Church Street
P.O. Box 513 GT
George Town
Grand Cayman KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

AUDITORS
CCIF CPA Limited
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE
8148

COMPANY WEBSITE
www.sddevelop.com
(To be launched in June 2008)

CHAIRMAN'S STATEMENT

Dear Shareholders

I am pleased to present the annual results of S & D International Development Group Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2007.

For the year under review, the Group recorded the revenue of approximately HK$3.4 million, representing a growth of 382% compared to that of the previous financial year (financial year ended 31 December 2006: HK$0.7 million). The increase in turnover was primarily the result of the continuously expansion in different products and different market segments during the year. In order to act as a Total IT Solution Provider to our customers, the Group has continuous expanded in different products and different market segments to provide high quality service to our customers. The revenue generated from the segment of custom-made solutions business, which has a higher profit margin and greater market potential, has grown gradually during the year.

Despite the aforesaid, the management has put stringent efforts to reduce the operating costs to reduce expenses and losses of the Group. The Group has taken a more pragmatic and lower risk approach to penetrate the market in a step by step manner in order to well strike the balance of expense and revenue. Thus, the Group has re-structured the operation to cut-down unnecessary expenses at the same time.

While recognising that we are working in a market with intense competition, we expect the years to come to be more challenging for the Group. In order to excel in this ever changing market, we have to enhance our competitiveness, improve our efficiency and response to market conditions. The management will closely monitor the market and modify the business operations, structures and strategies when necessary. I firmly believe that with the continued support from our shareholders and customers, and dedicated performance of our staff, we would brace to secure more business growth and achieve better returns for our investors and shareholders.

Tinna Chan Yee
Chairman

28 March 2008

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting held on 10 August 2007 and issuance of the Certificate of Incorporation on Change of Name by the Registrar of Companies in the Cayman Islands on 15 August 2007, the name of the Company has been changed from "SJTU Sunway Software Industry Limited" to "S & D International Development Group Limited" and the Chinese name of "基仕達國際發展集團有限公司" has also been adopted.

The shares of the Company has been traded under the new stock short name of "S & D INT'L DEV" in English and "基仕達國際發展" in Chinese on GEM with effect from 5 October 2007.

BOARD CHANGES

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

Executive Directors

Mr. Sze Wai, Marco	(resigned on 1 February 2007)
Mr. Tan Shu Jiang	
Mr. Shang Guan Bu Yan	(resigned on 1 February 2007)
Mr. Chen Si Gen	(resigned on 1 February 2007)
Mrs. Tinna Chan Yee	(appointed on 1 February 2007)
Mrs. Sana Bakhtiar Ahmed	(appointed on 1 February 2007)
Mr. Henry Dicker Yee, *Chief Executive Officer*	(appointed on 8 August 2007)

Independent Non-executive Directors

Mr. Wang Tian Ye	(resigned on 27 March 2007)
Mr. Wang Bin	(resigned on 27 March 2007)
Mr. Xu Shi Hong	(resigned on 27 March 2007)
Mr. Chan Cheong Yee	(appointed on 27 March 2007)
Mr. Ronald Garry Hopp	(appointed on 27 March 2007)
Mr. Yip Tai Him	(appointed on 27 March 2007)

GROUP BUSINESS REVIEW

During the year under review, the Group is principally engaged in the information localisation business, custom-made solution and trading of computer equipment. In order to act as a Total IT Solution Provider to our customers, the Group has continuously expanded in variety of products and different market segments to provide high quality service to our customers.

As a result, the revenue generated from the segment of custom-made solutions business, which has a higher profit margin and greater market potential, has grown gradually in 2007.

Since the Group anticipates there is much room for improvement and upgrade to the IT facilities of the hotels in PRC, the Group expands its custom-made solution business to hotel segments in PRC in 4th Quarter 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW (CONTINUED)

The Group has taken a more pragmatic and lower risk approach to penetrate the market in gradually manner in order to well strike the balance of expense and revenue. Thus, the Group has re-structured the operation to cut-down unnecessary expenses at the same time.

Provision of information localization

To provide translation and information localization services in PRC.

Provision of custom-made solution

To develop and implement custom-made solutions which are specifically designed and developed for the specific needs and requirements of a particular customer, for instance, hotels in PRC. Looking forward, we will deploy more resources to enhance our service quality to extend the market penetration.

Trading of computer equipment

Trading of computer software and hardware in Hong Kong and PRC and export to Asia Pacific and Middle East.

PROSPECTS

The rapid opening of the PRC market and the continued growth of the PRC economy provide the advantage and economic environment to develop our business in PRC market. The upcoming large-scale international events, such as the Beijing 2008 Olympic Games and Expo 2010 Shanghai to be staged in the PRC enable us to remain optimistic towards the future of our business.

Meanwhile, the Group will constantly review its business strategy and look for other business opportunities with a view to expanding the business portfolio and profitability of the Group.

GROUP FINANCIAL REVIEW

Overall Review

The Group's operation in the provision of information localization services, custom-made solution and trading of computer equipment increased to quite a large extent that results the turnover increasing significantly compared with 2006. At the same time, the operating costs of the Group have decreased by approximately 68.0% compared with 2006. As a result, the Group's loss attributable to equity holders of the parent has decreased to approximately HK$5.4 million for the year ended 31 December 2007, as compared to the loss attributable to shareholders of approximately HK$11.2 million for last year.

Revenue

For the year ended 31 December 2007, the total revenue of the Group was approximately HK$3.4 million, representing approximately 382% increase from that of approximately HK$0.7 million generated in the year ended 31 December 2006. The increase in revenue was mainly attributable to the increasing of the business segments in the sales of custom-made solution and trading of computer equipment. The revenue contributed by custom-made solution and trading of computer equipment were approximately HK$1.2 million and approximately HK$2.2 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

For the year ended 31 December 2007, the Group recorded gross profit of approximately HK$0.8 million as compared to approximately HK$0.2 million last year. Overall gross profit margin was approximately 22.6% this year as compared with approximately 23.2% last year.

Operating Costs

For the year ended 31 December 2007, the Group's operating costs, which include administrative expenses and selling expenses decreased by approximately 68.0% compared with that of the year 2006. Of the total operating costs, the administrative expenses have decreased by approximately 59.3% whereas selling expenses and research and development costs have decreased by approximately 94.8%. At the same time, the overall business results improve correspondingly, that results in the Group recorded loss attributable to the equity holders of the parent to be approximately HK$5.4 million as compared with approximately HK$11.2 million for the corresponding period in 2006.

Group Financial Resources and Liquidity

As at 31 December 2007, the Group had bank balances and cash of approximately HK$0.7 million (2006: HK$0.2 million). About approximately 25.6% (2006: 99.1%) of the total bank balances and cash were denominated in Renminbi ("RMB") with the remainder in Hong Kong dollars.

As at 31 December 2007, the outstanding bank loan and other loan of the Group amounted to approximately HK$15.0 million (2006: HK$14.0 million). The bank loan, denominated in RMB, was repayable on demand and bearing interest of 6.38% (2006: 6.38%) per annum. The bank loan has been overdue and interest charge revised to 9.558% (2006: 9.558%) per annum.

Gearing Ratio

As at 31 December 2007, the total assets of the Group were approximately HK$24.3 million (2006: HK$23.6 million) whereas the total liabilities were approximately HK$30.3 million (2006: HK$22.8 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 124.4% (2006: 96.6%). The Directors have being considered various measures to improve the gearing ratio of the Group.

Foreign Exchange Exposure

The Directors consider that the Group has no material foreign exchange exposure.

Material Acquisition, Disposal and Significant Investment of the Group

During the year ended 31 December 2007, the Group did not have any material acquisition and disposal, also significant investments.

Pledge of Group Assets and Contingent Liabilities

As at 31 December 2007, the Group did not have any substantial pledge of assets and significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As at 31 December 2007, the Group's issued share capital amounted to approximately HK$2.0 million (2006: HK$2.0 million). Amount due to a shareholder and bank loan amounted to approximately HK$5.1 million (2006: Nil) and HK$15.0 million (2006: HK$14.0 million) respectively. The Group's negative net assets value amounted to approximately HK$5.9 million (2006: positive net assets value HK$0.8 million).

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2007.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2007, the Group employed 10 staff (2006: 6 staff). The staff cost (including directors' remuneration) was approximately HK$2.1 million for the year under review (2006: HK$2.3 million). The Directors received remuneration of approximately HK$0.6 million during the year ended 31 December 2007 (2006: HK$1.1 million). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee.

The Group provides benefits in accordance with the relevant rules and regulations in Hong Kong including contributions to the Mandatory Provident Fund Scheme in Hong Kong.

CORPORATE GOVERNANCE REPORT

Save as disclosed below, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2007. Below are the major corporate governance practices adopted by the Company with specific reference to the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors of the Company and has complied with the Required Standard. A copy of the Required Standard is sent to each Director of the Company upon appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company's quarterly results, interim results and annual results that the Director cannot deal in the shares of the Company until after such results have been published. The Company had made specific enquiry of all its Directors. Each of the Directors of the Company confirmed his compliance with the Required Standard throughout the year ended 31 December 2007.

THE BOARD OF DIRECTORS

Throughout the year ended 31 December 2007, the board of Directors (the "Board") consisted of three independent non-executive Directors that was more than one-third of the Board. As at 31 December 2007, the Board comprised seven Directors, of which four were executive Directors. Members of the Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. There were 20 board meetings held during the year 2007.

Attendance of individual Directors at Board meetings held during the year:

Executive Directors	**Attendance**	**Percentage**
Mr. Sze Wai, Marco*	1/1	100%
Mr. Shang Guan Bu Yan*	1/1	100%
Mr. Chen Si Gen*	1/1	100%
Mr. Tan Shu Jiang	14/19	74%
Mrs. Tinna Chan Yee**	19/19	100%
Mrs. Sana Bakhtiar Ahmed**	15/19	79%
Mr. Henry Dicker Yee *(Chief Executive Officer)****	3/3	100%

* Resigned on 1 February 2007

** Appointed on 1 February 2007

*** Appointed on 8 August 2007

Independent Non-executive Directors		
Mr. Wang Tian Ye*	N/A	N/A
Mr. Wang Bin*	N/A	N/A
Mr. Xu Shi Hong*	N/A	N/A
Mr. Chan Cheong Yee**	9/9	100%
Mr. Ronald Garry Hopp**	8/9	89%
Mr. Yip Tai Him**	9/9	100%

* Resigned on 27 March 2007

** Appointed on 27 March 2007

CORPORATE GOVERNANCE REPORT

The Chairman is responsible for leadership and management of the Board, the overall corporate direction, corporate strategy and policy making of the Group. The Company's Chief Executive Officer is responsible for overall management, business development, implementation of strategy and policy in achieving the overall commercial objectives. The roles of the Chairman and the Chief Executive Officer are distinctive. The Board delegates day-to-day operations of the Group to Executive Directors and senior management, while reserving certain key matters for its approval. As at the date of this report, the Board comprises seven Directors including four executive directors (the "Executive Directors") namely Mr. Tan Shu Jiang, Mrs. Tinna Chan Yee, Mrs. Sana Bakhtiar Ahmed and Mr. Henry Dicker Yee; and three Independent Non-executive Directors namely Mr. Chan Cheong Yee, Mr. Ronald Garry Hopp and Mr. Yip Tai Him. There is no financial, business, family or other material/relevant relationship amongst the Directors save as disclosed in the personal profile of Directors in page 14 and substantial shareholders in report of the Directors in page 21. The Company has not appointed a Chairman since the resignation of Mr. Sze Wai, Marco on 1 February 2007. The duties of Chairman were assumed by Mrs. Tinna Chan Yee. For the period from 6 September 2006 to 19 August 2007, Mr. Tan Shu Jiang, an Executive Director of the Company assumed the duties of the Company's Chief Executive Officer. Mr. Henry Dicker Yee, an Executive Director of the Company, was appointed as the Company's Chief Executive Officer on 20 August 2007.

CORPORATE GOVERNANCE STRUCTURE

The Board is with the duty to put in place a proper corporate governance structure of the Company. It is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. Under the Board, there are currently 3 subcommittees, namely Audit Committee, Remuneration Committee and Nomination Committee. Audit committee and Remuneration committee perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management. Nomination committee assists the Board in nominating candidates for directorship, reviewing the size and composition of the Board and making recommendation to the Board on appointment of directors.

REMUNERATION COMMITTEE

For the year ended 31 December 2007, the Remuneration Committee comprised four members for the period from 1 January 2007 to 31 January 2007 and three members for the period from 1 February 2007 to 31 December 2007 respectively, the majority of whom were Independent Non-executive Directors. The Remuneration Committee was chaired by Mr. Xu Shi Hong for the period from 1 January 2007 to 26 March 2007 and Mr. Chan Cheong Yee for the period from 27 March 2007 to 31 December 2007 respectively. The Remuneration Committee is aimed to review and determine the remuneration policy and packages of the Executive Directors and executives of the Group.

The Remuneration Committee is scheduled to meet at least once a year for the determination of the remuneration packages of directors and executives of the Group. In addition, the Committee also meets as it is required to consider remuneration related matters. Two meetings were held during the financial year ended 2007. The attendance of each member is set out as follows:

Attendance of individual members at Remuneration Committee meeting held during the year:

Independent Non-executive Directors	**Attendance**	**Percentage**
Mr. Xu Shi Hong*	N/A	N/A
Mr. Wang Tian Ye*	N/A	N/A
Mr. Wang Bin*	N/A	N/A
Mr. Chan Cheong Yee *(Chairman)***	2/2	100%
Mr. Ronald Garry Hopp**	2/2	100%
Mr. Yip Tai Him**	2/2	100%

* Resigned on 27 March 2007

** Appointed on 27 March 2007

REMUNERATION POLICY

The remuneration policy of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The amounts paid to each Director of the Company for the year ended 31 December 2007 are set out in note 9 to the financial statement.

NOMINATION COMMITTEE

The Nomination Committee comprised four members, there were four members for the period from 1 January 2007 to 31 January 2007 and three members for the period from 1 February 2007 to 31 December 2007 respectively. The majority of whom were Independent Non-executive Directors, and was chaired by Mr. Wang Bin for the period from 1 January 2007 to 26 March 2007 and Mr. Ronald Garry Hopp for the period from 27 March 2007 to 31 December 2007 respectively. The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointments.

The Nomination Committee is scheduled to meet at least once a year for the review of the structure, size and composition of the Board. In addition, the Nomination Committee also meets as it is required to consider nomination related matters. One meeting was held during the financial year. The attendance of each member is set out as follows:

Attendance of individual members at Nomination Committee meeting held during the year:

Independent Non-executive Directors	**Attendance**	**Percentage**
Mr. Wang Bin*	N/A	N/A
Mr. Wang Tian Ye*	N/A	N/A
Mr. Xu Shi Hong*	N/A	N/A
Mr. Chan Cheong Yee**	1/1	100%
Mr. Ronald Garry Hopp *(Chairman)***	1/1	100%
Mr. Yip Tai Him**	1/1	100%

* Resigned on 27 March 2007
** Appointed on 27 March 2007

Executive Director

Mr. Sze Wai, Marco*	N/A	N/A

* Resigned on 1 February 2007

AUDIT COMMITTEE

Under its terms of reference which are aligned with the code provisions set out in the Code, the Audit Committee is set up based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditors.

The Audit Committee comprises three members throughout the year ended 31 December 2007 and at least one of whom must have appropriate professional qualification or accounting or related financial management expertise and reviews the quarterly, interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, interim and annual reports.

Senior representatives of the external auditors, executive Directors and senior executives are invited to attend the meetings, if required. Each member of the Audit Committee members had unrestricted access to the Group's external auditors and the management.

CORPORATE GOVERNANCE REPORT

The Audit Committee met four times during the year and the attendance of each member is set out as follows:

Independent Non-executive Directors	Attendance	Percentage
Mr. Wang Bin*	N/A	N/A
Mr. Wang Tian Ye*	N/A	N/A
Mr. Xu Shi Hong*	N/A	N/A
Mr. Chan Cheong Yee**	4/4	100%
Mr. Ronald Garry Hopp *(Chairman)***	4/4	100%
Mr. Yip Tai Him**	4/4	100%

* Resigned on 27 March 2007

** Appointed on 27 March 2007

AUDITORS' REMUNERATION

The Company reviews the appointment of external auditors on an annual basis including a review of the audit scope and approval of the audit fee. During the year, the fee payable to the Company's external auditors for the annual audit amounted to HK$438,000 and no fee has been paid for non-audit related activities. The Audit Committee recommended to the Board that CCIF CPA Limited be re-appointed as the Company's external auditors for 2008.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute, assurance against misstatement or loss.

During the year, the Company has engaged an independent accounting firm to review the internal control system in order to strengthen the internal control system and improve overall corporate governance culture.

Related Party Transactions Policy

During the year, related party transactions are periodically reviewed and approved by the Audit Committee.The Company has modified the policy on the review and approval of the related party transactions by the Audit Committee and the same should be implemented in 2008.

INVESTOR RELATIONS

The Company uses two-way communication channels to account to shareholders and investors for the performance of the Company. All the shareholders have 21 clear days' notice of annual general meeting at which Directors are available to answer questions on the business. Extensive information about the Group's activities is provided in its annual report and accounts, interim reports and quarterly reports which are sent to shareholders and investors. The Company's announcements, press releases and publications are published and are also available on the GEM website.

In order to provide effective disclosure to shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. SZE Wai, Marco (史偉), aged 42, was the chairman of the Group until 1 February 2007. In the past 16 years, Mr. Sze has been actively involved in the investment and management of companies involving manufacturing, property development and investment, transportation, trading and information technology. Mr. Sze is the chairman of FinTronics Holdings Company Limited, previously known as Start Technology Company Limited, which is listed in the Main Board of the Stock Exchange. Mr. Sze joined the Group in September 2001 and resigned from the position as an executive Director of the Company and chairman of the Group on 1 February 2007.

Mrs. Tinna CHAN YEE (余陳天娜), aged 38, was appointed as an executive Director and chairman of the Group on 1 February 2007. She holds an accounting diploma, has approximately 5 years of experience in property development business and approximately 10 years of experience in life insurance underwriting. Before that, she undertook duties in marketing, accounting and management for her family jewelry business. Mrs. Yee is the sister-in-law of Mr. Henry Dicker Yee and Mr. Frank Wai Kah Yee.

Mr. TAN Shu Jiang (譚曙江), aged 39, joined the Group in November 2005 as an executive Director. He is responsible for formulating of the Group's business strategies. Mr. Tan graduated from Shanghai International Studies University and he has over 10 years of experience in the sales and marketing, technical and general management in the information technology business.

Mr. SHANG GUAN Bu Yan (上官步燕), aged 45, joined the Group in early 2002 and was an executive Director until 1 February 2007. He was responsible for formulating the marketing strategies of the Group. Mr. Shang Guan graduated from National University of Defense Technology with a master degree in Science in December 1991. He has over 10-years of experience in the computer industry in the PRC. Mr. Shang Guan was formerly a member of the senior management of Start Technology Company Limited and was the managing director of Fujian Star Systems Integration Co., Ltd. before joining Start Technology. Mr. Shang Guan resigned from his position in the Company on 1 February 2007.

Mr. CHEN Si Gen (陳思根), aged 42, was an executive Director of the Group until 1 February 2007. He was responsible for the business development of the Group. Mr. Chen graduated from Shanghai Jiao Tong University with a master degree in Materials Science and Engineering in March 1994. Mr. Chen is experienced in project investment and management, corporate planning and project finance. Mr. Chen was also a director and general manager of SJTU Venture Capital Co. Ltd. Mr. Chen joined the Group in September 2002 and resigned on 1 February 2007.

Mrs. Sana Bakhtiar AHMED, aged 31, was appointed as an executive Director on 1 February 2007. She holds a bachelor of commerce degree and has approximately 6 years of experience in property development business as a director.

Mr. Henry Dicker YEE (余迪家), aged 47, was appointed as an executive Director on 8 August 2007 and the chief executive officer on 20 August 2007. He graduated from University of Alberta, Canada with a bachelor degree in Science (Specialization in Computing Science) in 1983. Thereafter, Mr. Yee joined HSBC in IT area for 22 years before he joined the Company. In addition to his substantial experience in management, Mr. Yee possesses wide-ranging knowledge and experience in IT architecture as well as IT development. Mr. Yee is the brother of Mr. Frank Wai Kah Yee and the brother-in-law of Mrs. Tinna Chan Yee.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

Independent Non-executive Directors

Mr. WANG Tian Ye (王天也), aged 49, was an independent non-executive Director until 27 March 2007. Mr. Wang graduated from Macquarie University, Australia with a master degree in Applied Finance and was a senior Associate of Australian Institute of Banking and Finance in April 1996. Mr. Wang had served the Bank of China, Beijing Branch, for more than ten years and was once the deputy general manager of the Sydney Branch. He has extensive experience in the banking industry and investment in the PRC and Australia. Mr. Wang was appointed by the Group in November 2003 and tendered his resignation on 27 March 2007.

Mr. WANG Bin (王斌), aged 39, was an independent non-executive Director until 27 March 2007. Mr. Wang graduated from Nakai University with a bachelor degree in philosophy. He has over 10 years of experience in security consultancy and brokerage business. Mr. Wang is the vice president of China Chenxin Financial Consulting Co. Ltd. in the PRC. He was appointed by the Group in June 2005 and resigned on 27 March 2007.

Mr. XU Shi Hong (徐時弘), aged 45, was an independent non-executive Director until 27 March 2007. Mr. Xu graduated from Beijing College of Economics (now known as Capital University of Economics and Business). He has over 20 years of experience in financial management and currently holds a financial management position in China Travel Services Head Office in the PRC. Mr. Xu was appointed by the Group in June 2005 and resigned on 27 March 2007.

Mr. CHAN Cheong Yee (陳昌義), aged 44, was appointed as an independent non-executive Director on 27 March 2007. He is currently the responsible officer of China Everbright Securities (HK) Limited, China Everbright Capital Limited and Everbright Wisdom Fund Management Limited. He is also an executive director of Sino Technology Investments Limited which is a listed investment company under Chapter 21 of the Rules (the "Listing Rules") Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. Mr. Chan was an executive director of Apex Capital Limited (formerly known as Haywood Investment Limited), which is also a listed investment company under Chapter 21 of the Listing Rules, from June 2002 to May 2003. Mr. Chan was an independent non-executive director of Cosmopolitan International Holdings Limited, another listed company in Hong Kong, from September 2004 to December 2006. Mr. Chan has been in the financial and investment business for almost 20 years and directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations. Mr. Chan holds a bachelor's degree of science and majoring in finance. Mr. Chan is a registered and licensed person under Schedule 5 of the Securities and Futures Ordinance to carry out regulated activities including dealing of securities, advising on securities, dealing in futures contracts and undertaking asset management.

Mr. Ronald Garry HOPP, aged 69, was appointed as an independent non-executive Director on 27 March 2007. He is an academic staff of the Faculty of Law at the University of Alberta under contract on a half-time basis. He graduated from the University of Alberta with bachelor degrees of Education and Laws. Mr. Hopp articled for the law firm of Wood Moir Hyde & Ross in the City of Edmonton, was admitted to the bar in 1972, and thereafter practiced law on a full-time basis for approximately 2 years. Mr. Hopp became an academic staff of the Faculty of Law at the University of Alberta and taught in this capacity for approximately 30 years until his mandatory retirement in 2005.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. YIP Tai Him (葉棣謙), aged 37, was appointed as an independent non-executive Director on 27 March 2007. He is a practicing accountant in Hong Kong and has about 15 years of experience in auditing, accounting and corporate finance. He is a member of the Institute of Chartered Accountants in England and Wales, Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Yip is currently an independent non-executive director of Wing Lee Holdings Limited and China Cyber Port (International) Company Limited, which are listed on the Main Board and the Growth Enterprise Market of the Stock Exchange respectively.

MANAGEMENT

Senior Management

Mr. Frank Wai Kah YEE (余偉家) is the Business Relationship Director and deputy chief executive officer. Mr. YEE has completed in Real Estate and Mortgage diploma at University of British Columbia and a certificate in Finance at City University of New York — Baruch College. He has over 10 years of experience in project management. Mr. Yee is the brother of Mr. Henry Dicker Yee and the brother-in-law of Mrs. Tinna Chan Yee.

Ms. TSE Suk Yee, Teresa (謝淑儀) is the financial controller of the Group. Ms. Tse has a Master's Degree in Business Administration. She is a fellow member of the Association of Chartered Certified Accountants, associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. She joined the Group on 27 February 2007.

Company Secretary

Ms. TSE Suk Yee, Teresa (謝淑儀) is a secretary of the Company. Her background and qualifications are set out in the above.

REPORT OF THE DIRECTORS

The Directors hereby present their annual report together with the audited financial statements of the Group for the year ended 31 December 2007.

SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended from 22 March 2007 pending release of an announcement relating to information of public float of the Company and will remain suspended until further notice.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting held on 10 August 2007 and issuance of the Certificate of Incorporation on Change of Name by the Registrar of Companies in the Cayman Islands on 15 August 2007, the name of the Company has been changed from "SJTU Sunway Software Industry Limited" to "S & D International Development Group Limited" and the Chinese name of "基仕達國際發展集團有限公司" has also been adopted.

The shares of the Company has been traded under the new stock short name of "S & D INT'L DEV" in English and "基仕達國際發展" in Chinese on GEM with effect from 5 October 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding while the Group is principally engaged in three main divisions (i) information localisation business, (ii) custom-made solution and (iii) trading of computer equipment during the year.

The principal activities of the principal subsidiaries are set out in note 16 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year under review is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	23.2%	
Five largest customers in aggregate	79.4%	
The largest supplier		58.2%
Five largest suppliers in aggregate		99.5%

During the year ended 31 December 2007, none of the Directors, their associates or any shareholder of the Company (who to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

REPORT OF THE DIRECTORS

FINANCIAL STATEMENTS

The results of the Group and the state of the Group's affairs for the year ended 31 December 2007 are set out in the financial statements on pages 31 to 81.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2007.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company's reserves available for distribution calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK$2.9 million (2006: HK$2.9 million). These reserves may be distributed provided that immediately following the date on which the distribution is proposed to be made, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 on the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the financial year are set out in note 29 on the financial statements.

DIRECTORS

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

Executive Directors

Mr. Sze Wai, Marco	(resigned on 1 February 2007)
Mr. Tan Shu Jiang	
Mr. Shang Guan Bu Yan	(resigned on 1 February 2007)
Mr. Chen Si Gen	(resigned on 1 February 2007)
Mrs. Tinna Chan Yee	(appointed on 1 February 2007)
Mrs. Sana Bakhtiar Ahmed	(appointed on 1 February 2007)
Mr. Henry Dicker Yee, *Chief Executive Officer*	(appointed on 8 August 2007)

Independent Non-executive Directors

Mr. Wang Tian Ye	(resigned on 27 March 2007)
Mr. Wang Bin	(resigned on 27 March 2007)
Mr. Xu Shi Hong	(resigned on 27 March 2007)
Mr. Chan Cheong Yee	(appointed on 27 March 2007)
Mr. Ronald Garry Hopp	(appointed on 27 March 2007)
Mr. Yip Tai Him	(appointed on 27 March 2007)

In accordance with article 108 (A) of the Company's articles of association, one-third of the Directors shall retire at each annual general meeting from office by rotation. Further, according to article 112 of the articles of association of the Company, any director appointed by the Directors to fill a casual vacancy in the Company under that article shall hold office only until the next following annual general meeting and shall then be eligible for re-election at the meeting.

Accordingly, in accordance with articles 108(A) and 112 of the Company's articles of association, Mrs. Tinna Chan Yee, Mrs. Sana Bakhtiar Ahmed and Mr. Henry Dicker Yee will retire from the Board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Biographical details of the Directors and the senior management of the Company are set out on pages 14 to 16 of this annual report.

DIRECTORS' CONTRACTS

Mr. Henry Dicker Yee has not entered into any service agreement with the Company nor received any remuneration from the Company in his capacity as an executive Director. He is not appointed for a fixed term as an Executive Director.

He has entered into a service contract with the Company as the Chief Executive Officer for an initial term of 3 years and this service contract is continuous until terminated by either party serving not less than three months' notice in writing, or by payment of his three months' salary in lieu of such notice.

Mr. Chan Cheong Yee has entered into a service contract with the Company for an initial term of 2 years commencing from 27 March 2007.

Mr. Ronald Garry Hopp has entered into a service contract with the Company for an initial term of 2 years commencing from 27 March 2007.

Mr. Yip Tai Him has entered into a service contract with the Company for an initial term of 2 years commencing from 27 March 2007.

Mr. Tan Shu Jiang has entered into a service contract with the Company for an initial term of 1 year commenting from 1 August 2007 to continue to act as the Executive Director of the Company.

Mrs. Tinna Chan Yee and Mrs. Sana Bakhtiar Ahmed have not entered into any service contract with the Company and are not appointed for a fixed term.

All of the Directors are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's articles of association and the GEM Listing Rules.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2007, the interests and short positions of the Directors or the chief executive in the shares of the Company ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO; or which were required, pursuant to the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules were as follows:

(i) Long positions in the shares of the Company

Name of Directors	Nature of Interest	Number of shares	Approximate percentage of shareholding

Nil

(ii) Long positions in the shares of associated corporation

		Number of shares beneficially held			
Name of Directors	Name of associated corporation	Family Interests	Personal Interests	Total	Approximate percentage of shareholding
Mrs. Tinna Chan Yee	S&D Holdings Group Limited	1,417 (Note 1)	1,416	2,833	28.33%
Mrs. Sana Bakhtiar Ahmed	S&D Holdings Group Limited	1,417 (Note 2)	1,417	2,834	28.34%

Notes:

1. These shares are held by her spouse Mr. David Cigar Yee in which she is deemed to be interested.

2. These shares are held by her spouse Mr. Syed Waliuddin Ahmed in which she is deemed to be interested.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTEREST

Substantial Shareholders

So far as is known to the Directors, as at 31 December 2007, the following persons, other than the Directors or chief executive of the Company, had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or substantial shareholders as recorded in the register required to be kept under section 336 of the SFO:

Name	**Capacity**	**Number of Shares** (Note 1)	**Approximate percentage of shareholding**
S&D Holdings Group Limited	Beneficial owner (Note 2)	136,545,828 (L)	68.27%
Shanghai Jiao Tong University	Interest of a controlled corporation (Note 3)	22,528,484 (L)	11.26%
Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial Group")	Interest of a controlled corporation (Note 3)	22,528,484 (L)	11.26%
Simplex Technology Investment (Hong Kong) Co. Limited ("Simplex")	Beneficial owner	22,528,484 (L)	11.26%
Yan Li Li	Beneficial owner	10,600,000 (L)	5.30%

Notes:

1. The letter "L" denotes the entity's interests in the Shares.

2. The entire share capital of S&D Holdings Group Limited is beneficially owned by Ms. Wen Chen as to 4.17%, Mrs. Tinna Chan Yee as to 14.16%, Mr. David Cigar Yee as to 14.17%, Mr. Syed Waliuddin Ahmed as to 14.17%, Mrs. Sana Bakhtiar Ahmed as to 14.17%, Mr. Frank Wai Kah Yee as to 15% and Mr. Stephen Yee as to 24.16% respectively.

3. The interests in the Shares are held through Simplex, the entire issued share capital of which was beneficially owned by Jiaoda Industrial Group. The registered capital of Jiaoda Industrial Group was owned as to 96.735% by Shanghai Jiao Tong University and 3.265% by Shanghai Jiaoda Enterprise Management Centre* (上海交大企業管理中心), an entity wholly owned by Shanghai Jiao Tong University.

Save as disclosed above, the Company has not been notified of other interests or short positions of any other person (other than the Directors and chief executives and the substantial shareholders of the Company) in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2007.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which was adopted on 25 November 2003 whereby the Directors of the Company may at their discretion invite any employees, directors, suppliers, customers, advisers, consultants, joint venture partners, and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any member of the Group or any invested entities, to take up options to subscribe for Shares. The Scheme became effective upon the listing of the Company's shares on the GEM of the Stock Exchange on 9 January 2004.

				Number of options				
	Date of grant	Exercise period	Exercise price per share (HK$)	Outstanding as at 1.1.2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31.12.2007
Directors								
Mr. Sze Wai, Marco	10.10.2005	10.10.2005 – 29.10.2015	0.14	1,500,000	—	—	(1,500,000)	—
Mr. Shang Guan Bu Yan	10.10.2005	10.10.2005 – 29.10.2015	0.14	1,000,000	—	—	(1,000,000)	—
Mr. Chen Si Gen	10.10.2005	10.10.2005 – 29.10.2015	0.14	1,000,000	—	—	(1,000,000)	—
Mr. Wang Tian Ye	10.10.2005	10.10.2005 – 29.10.2015	0.14	200,000	—	—	(200,000)	—
				3,700,000	—	—	(3,700,000)	—
Employees, consultants and others	17.01.2005	17.1.2005 – 16.1.2015	0.45	2,000,000	—	—	(2,000,000)	—
	10.10.2005	10.10.2005 – 29.10.2015	0.14	2,300,000	—	—	(2,300,000)	—
				4,300,000	—	—	(4,300,000)	—

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, any of its subsidiaries or fellow subsidiaries was a party, in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

REPORT OF THE DIRECTORS

BANK LOAN

Particulars of bank loan of the Group as at 31 December 2007 are set out in note 24 on the financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 82 of this annual report.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 26 on the financial statements.

COMPETING INTERESTS

None of the Directors and management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had an interest in any business which competes or may compete with the business of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to establish a good corporate governance practices and procedures. The corporate governance principles of the Company emphasis a quality board, sound internal control, transparency and accountability to all shareholders. The Company has complied with the Code throughout the year ended 31 December 2007. Details of the Code adopted by the Company are set out in the Corporate Governance Report on the page 9 to 13.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference. The primary duties of the audit committee are to review, in draft form, the Company's annual report and accounts, half-year report, quarterly report and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive Directors, Mr. Chan Cheong Yee, Mr. Ronald Garry Hopp and Mr. Yip Tai Him.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters, including a review of the annual report for the year ended 31 December 2007 with the Directors.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors a written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Board considers all of the independent non-executive Directors are independent.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2007.

REPORT OF THE DIRECTORS

REMUNERATION POLICY

The remuneration policy of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The amounts paid to each Director of the Company for the year ended 31 December 2007 are set out in note 9 to the financial statement.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has failed to maintain a minimum prescribed percentage of 25% of the issued share capital to be in the hand of public (the "Public Float"). The Board is considering means to restore the Public Float. On 4 December 2007, the Company made the announcement of placing of new shares (the "Placing"). The Directors consider that the Placing will provide the Company with a good opportunity to restore the Public Float, to broaden the shareholders base and capital base of the Company as well as to raise capital for its future business developments. The Placing is conditional upon (i) the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all the shares to be allotted and issued by the Company under the Placing and (ii) the resumption of the trading in the Shares. Further announcement in this regard will be made by the Company as and when appropriate.

CONNECTED TRANSACTION

During the year ended 31 December 2007, there were no connected transactions which are required to be disclosed in accordance with announcement and reporting requirements under the GEM Listing Rules.

AUDITORS

ShineWing (HK) CPA Limited ("ShineWing") was auditors of the Company for the year ended 31 December 2005 and until 12 February 2007. CCIF CPA Limited ("CCIF") was appointed as auditors of the Company by the Board to fill the casual vacancy arising from the resignation of ShineWing on 6 March 2007.

The financial statements have been audited by CCIF, who will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

SUBSEQUENT EVENTS

Details of the significant subsequent events have been set out in the announcements published by the Company.

On behalf of the Board

Tinna Chan Yee
Chairman

28 March 2008

INDEPENDENT AUDITOR'S REPORT

CCIF

CCIF CPA LIMITED

20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
S & D INTERNATIONAL DEVELOPMENT GROUP LIMITED
(FORMERLY KNOWN AS "SJTU SUNWAY SOFTWARE INDUSTRY LIMITED")
(Incorporated in the Cayman Islands with limited liability)

REPORT ON THE FINANCIAL STATEMENTS

We were engaged to audit the consolidated financial statements of S & D International Development Group Limited (formerly known as "SJTU Sunway Software Industry Limited") (the "Company") set out on pages 31 to 81, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 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 financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion section, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

INDEPENDENT AUDITOR'S REPORT

1. Scope limitation — recoverability of deposits for acquisition of subsidiaries

As detailed in note 19 to the consolidated financial statements, the deposits of approximately HK$22,710,000 for acquisition of subsidiaries have been long outstanding and no subsequent payment was received by the Group up to the date of this report. There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the recoverability of such deposits as at 31 December 2007.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006. Therefore the comparative amount may not be comparable and any adjustments to this amount may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007, its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

2. Scope limitation — interest in an associate

As detailed in note 17 to the consolidated financial statements, the Group cannot access to the accounting records and management accounts of the associate for the years ended 31 December 2007 and 2006, and consequently the Group could not arrange for the audit of the associate's management accounts for the years ended 31 December 2007 and 2006. Because of this, the interest in the associate has been accounted for in the consolidated financial statements under the equity method using the financial information of the associate as at 31 December 2005. This is not in accordance with Hong Kong Accounting Standard ("HKAS") No. 28 "Investments in Associates" issued by the HKICPA so far as equity accounting for interest in the associate concerned. In addition, summarised financial information for the associate, including the aggregate amounts of assets, liabilities, revenues and profit or loss, have not been disclosed as required by HKAS 28.

Had interest in the associate been equity accounted for as required by HKAS 28, the Group would have recognized its share of the associate's results for the year and its share of their net assets at 31 December 2007. In the absence of the relevant financial information of the associate, it is impracticable for us to quantify the effects on these consolidated financial statements of the departure from HKAS 28.

We qualified our auditor's report on the consolidated financial statements for the year ended 31 December 2006 in respect of the same limitations of scope. Any adjustments that might have been found to be necessary in respect of the matter mentioned above would have a consequential effect on opening balance of accumulated losses of the Group at 1 January 2007, its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

3. Scope limitation — trade and other receivables

As previously explained in our auditor's report on the consolidated financial statements for the year ended 31 December 2006, we were unable to obtain sufficient reliable evidence to satisfy ourselves as to whether certain of trade and other receivables included in the consolidated balance sheet as at 31 December 2006 in the amount of approximately HK$747,000 (net of impairment losses for bad and doubtful debts) and an impairment loss and write-off of trade and other receivables made in the consolidated income statement for the year ended 31 December 2006 in the amount of approximately HK$850,000 were fairly stated. We qualified our auditor's report on the consolidated financial statements for that year on account of this scope limitation.

Up to the date of this report, no subsequent payment was received from such trade and other receivables. The directors of the Company considered these trade and other receivables carried forward should be fully impaired. Accordingly, an impairment loss and write-off of such trade and other receivables (after adjustment of exchange differences) in the amount of approximately HK$759,000 were charged to the consolidated income statement for the year ended 31 December 2007. As detailed in note 2(a) to the consolidated financial statements and due to lack of sufficient reliable evidence, there were no satisfactory audit procedures that we could assess the impairment loss and write-off so as to determine the appropriateness of the impairment loss and write-off. Any adjustments to this impairment loss and write-off may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007, its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

4. Scope limitation — cash and cash equivalents

As at 31 December 2007, included in cash and cash eqivalents in the consolidated balance sheet are cash and bank balances of approximately HK$164,000. As detailed in note 2(a) to the consolidated financial statements and due to the lack of bank confirmations and other sufficient reliable evidence, we have not been able to perform the audit procedures we considered necessary to satisfy ourselves as to whether cash and cash equivalents in the consolidated balance sheet as at 31 December 2007 were fairly stated.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006. Therefore the comparative amount may not be comparable and any adjustments to this amount may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007, its loss and cash flows for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

5. Scope limitation — trade and other payables and other loan payable

As at 31 December 2007, included in the consolidated balance sheet are trade and other payables of approximately HK$4,389,000 and other loan payable of approximately HK$495,000. As detailed in note 2(a) to the consolidated financial statements and due to the lack of sufficient reliable evidence, we have not been able to perform the audit procedures we considered necessary to satisfy ourselves as to whether the carrying amounts of trade and other payables and other loan payable in the consolidated balance sheet as at 31 December 2007 were fairly stated.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006. Therefore the comparative amounts may not be comparable and any adjustments to these amounts may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007, its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

6. Scope limitation — bank loan, interest payable and interest expenses

As detailed in note 24 to the consolidated financial statements, the bank loan has been overdue and the Group is planning in negotiation with the bank in order to reschedule the repayment of bank loan. However, no confirmation has been received from the bank to substantiate the Group's bank loan and the relevant interest payable as at 31 December 2007 and the relevant interest expenses for the year ended 31 December 2007. There was no other satisfactory evidence available to us to confirm that these balances and expenses have been correctly recorded. The unsubstantiated bank loan was approximately HK$14,980,000 as at 31 December 2007, and the unsubstantiated interest payable and interest expenses were approximately HK$3,526,000 and HK$1,703,000 as at and for the year ended 31 December 2007, respectively.

Any adjustments that might have been found to be necessary in respect of the matter mentioned above would have a consequential effect on net liabilities of the Group as at 31 December 2007, its loss for the year then ended and the related disclosures in the consolidated financial statements.

7. Scope limitation — amouts due to former directors and directors' remuneration

As explained in note 2(a), the present directors lost contact with certain former directors. We therefore cannot obtain direct confirmations from these former directors to confirm that no amount was due to them as at 31 December 2007 and no remuneration was payable to them for the year then ended. There were no practical alternative audit procedures that we could perform to support whether amounts due to former directors as at 31 December 2007 and their remuneration for the year then ended were fairly stated.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006 as we were unable to obtain direct confirmations from certain former directors to satisfy ourselves as to whether amounts due to former directors as at 31 December 2006 and their remuneration for the year then ended were fairly stated.

Therefore the comparative amounts may not be comparable and any adjustments to such amounts may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007 and its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

8. Scope limitation — minority interests

The underlying books and records of certain subsidiaries were not accessable, as explained in note 2(a) to the consolidated financial statements, and due to the incomplete books and records of these subsidiaries made available to us, we were unable to carry out adequate audit procedures to satisfy ourselves that minority interests relating to these subsidiaries in the consolidated balance sheet, the consolidated income statement and notes thereon were fairly stated.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006. Therefore the comparative amount may not be comparable and any adjustments to this amount may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007 and its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

9. Scope limitation — prior year audit scope limitation affecting opening balances

In addition, our auditor's report on the consolidated financial statements for the year ended 31 December 2006 was also qualified in respect of limitations of audit scope regarding the following items:

(a) As detailed in note 17 to the consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence regarding the appropriateness of a full impairment loss of approximately HK$4,849,000 made against the interest in an associate for the year ended 31 December 2006;

(b) As detailed in note 18 to the consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence regarding the appropriateness of a full impairment loss of approximately HK$9,697,000 made against the goodwill for the year ended 31 December 2006; and

(c) As detailed in note 14 to the consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence regarding the appropriateness of a full impairment loss of approximately HK$1,468,000 made against the property, plant and equipment for the year ended 31 December 2006.

Therefore the comparative amounts may not be comparable and any adjustments to these amounts may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007, its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

10. Scope limitation — carrying amount of interests in subsidiaries and amounts due from subsidiaries

As at 31 December 2007, included in the Company's balance sheet are interests in subsidiaries of approximately HK$1,000, stated net of an impairment loss of approximately HK$13,764,000, and amounts due from subsidiaries of approximately HK$11,370,000, stated net of an impairment loss of approximately HK$20,500,000. Due to the scope limitations in respect of points (1), (3), (4), (5), (6), (7) and (9) above, we have not been able to satisfy ourselves as to whether the impairment losses determined by the Company's directors against the carrying amounts of such interests in subsidiaries and amounts due from subsidiaries for the year ended 31 December 2007, and in consequence the net carrying amounts of interests in subsidiaries and amounts due from subsidiaries as at 31 December 2007 in the balance sheet and notes thereon were fairly stated.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006. Therefore the comparative amounts may not be comparable and any adjustments to these amounts may have a consequential effect on the opening balance of accumulated losses of the Company at 1 January 2007 and its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

11. Material uncertainties relating to going concern

As explained in note 2(b) to the consolidated financial statements, which indicates that the Group incurred a consolidated net loss attributable to equity shareholders of the Company of approximately HK$5,376,000 for the year ended 31 December 2007 and had a consolidated net current liabilities of approximately HK$28,966,000 and consolidated net liabilities of approximately HK$5,929,000 as at 31 December 2007, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful outcome of the Group's current negotiations with its banker and prospective investors to secure continual financial support and obtain new working capital in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. The consolidated financial statements do not include any adjustments that would result from a failure to obtain such support and working capital. We consider that appropriate disclosures have been made. However, the uncertainties surrounding the outcome of these negotiations raise significant doubt about the Group's ability to continue as a going concern.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion section, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2008

Yau Hok Hung
Practising Certificate Number P04911

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	5	**3,447**	715
Cost of sales		**(2,668)**	(549)
Gross profit		**779**	166
Other revenue	6	**—**	6
Selling and distribution expenses		**(241)**	(110)
Research and development costs		**—**	(4,502)
General and administrative expenses		**(5,817)**	(14,300)
Loss from operations		**(5,279)**	(18,740)
Finance costs		**(1,703)**	(1,483)
Waiver of amount due to a former shareholder		**1,595**	23,803
Impairment loss on goodwill		**—**	(9,697)
Impairment loss on interest in an associate		**—**	(4,849)
Loss before taxation	7	**(5,387)**	(10,966)
Income tax	8(a)	**—**	—
Loss for the year		**(5,387)**	(10,966)
Attributable to:			
Equity shareholders of the Company	11	**(5,376)**	(11,248)
Minority interests		**(11)**	282
Loss for the year		**(5,387)**	(10,966)
Loss per share	12		
Basic		**(2.69) cents**	(5.62)cents
Diluted		**N/A**	N/A

The notes on pages 36 to 81 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	**327**	—
Intangible assets	15	**—**	—
Interest in an associate	17	**—**	—
Goodwill	18	**—**	—
Deposits for acquisition of subsidiaries	19	**22,710**	22,710
		23,037	22,710
Current assets			
Trade and other receivables	20	**633**	747
Cash and cash equivalents	21	**675**	164
		1,308	911
Current liabilities			
Trade and other payables	22	**9,753**	6,972
Amounts due to former directors	23	**—**	1,370
Amount due to a director	23	**14**	10
Amount due to a shareholder	23	**5,032**	—
Bank loan, unsecured	24	**14,980**	14,000
Other loan payable, unsecured	25	**495**	436
		30,274	22,788
Net current liabilities		**(28,966)**	(21,877)
NET (LIABILITIES)/ASSETS		**(5,929)**	833
CAPITAL AND RESERVES	29(a)		
Share capital		**2,000**	2,000
Reserves		**(9,314)**	(2,472)
Total equity attributable to equity shareholders of the Company		**(7,314)**	(472)
Minority interests		**1,385**	1,305
(CAPITAL DEFICIT)/TOTAL EQUITY		**(5,929)**	833

Approved and authorised for issue by the board of directors on 28 March 2008.

Tinna Chan Yee
Director

Tan Shu Jiang
Director

The notes on pages 36 to 81 form part of these financial statements.

BALANCE SHEET

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investments in subsidiaries	16	**1**	1
Current assets			
Trade and other receivables	20	**11,634**	11,239
Cash and cash equivalents	21	**—**	—
		11,634	11,239
Current liabilities			
Trade and other payables	22	**11,243**	9,229
Amounts due to former directors	23	**—**	1,370
Amount due to a director	23	**14**	10
Amount due to a shareholder	23	**608**	—
		11,865	10,609
Net current (liabilities)/assets		**(231)**	630
NET (LIABILITIES)/ASSETS		**(230)**	631
CAPITAL AND RESERVES	29(b)		
Share capital		**2,000**	2,000
Reserves		**(2,230)**	(1,369)
(CAPITAL DEFICIT)/TOTAL EQUITY		**(230)**	631

Approved and authorised for issue by the board of directors on 28 March 2008.

Tinna Chan Yee
Director

Tan Shu Jiang
Director

The notes on pages 36 to 81 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Total equity at 1 January	**833**	12,326
Net loss recognised directly in equity:		
Exchange differences on translation of financial statement of overseas subsidiaries	**(1,375)**	(527)
Loss for the year	**(5,387)**	(10,966)
(Capital deficit)/total equity at 31 December	**(5,929)**	833

The notes on pages 36 to 81 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	**2007** **HK$'000**	2006 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(5,387)**	(10,966)
Adjustments for:			
Amortisation of intangible assets	7(c)	**—**	1,329
Impairment loss on intangible assets	7(c)	**—**	3,173
Depreciation of property, plant and equipment	7(c)	**55**	242
Impairment loss for property, plant and equipment	7(c)	**—**	1,468
Loss on investment funds	7(c)	**—**	6,411
Finance costs	7(a)	**1,703**	1,483
Interest income	6	**—**	(1)
Impairment loss for trade receivables	7(c)	**57**	225
Waiver of amount due to a former shareholder		**(1,595)**	(23,803)
Impairment loss on goodwill	7(c)	**—**	9,697
Impairment loss on interest in an associate	7(c)	**—**	4,849
Write-off of other receivables	7(c)	**702**	625
Operating loss before changes in working capital		**(4,465)**	(5,268)
(Increase)/decrease in trade and other receivables		**(609)**	32
Increase/(decrease) in trade and other payables		**695**	(872)
CASH USED IN OPERATIONS		**(4,379)**	(6,108)
Tax paid		**—**	—
NET CASH USED IN OPERATING ACTIVITIES		**(4,379)**	(6,108)
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		**(382)**	—
Payment for deposits for acquisition of subsidiaries		**—**	(10,000)
Decrease in investment funds		**—**	10,016
Interest received		**—**	1
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(382)**	17
FINANCING ACTIVITIES			
(Repayment to)/advance from former directors		**(1,370)**	48
Advance from a director		**4**	10
Advance from a former shareholder		**1,595**	5,603
Advance from a shareholder		**5,032**	—
NET CASH FROM FINANCING ACTIVITIES		**5,261**	5,661
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**500**	(430)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**164**	561
Effect of foreign exchange rate changes		**11**	33
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21	**675**	164

The notes on pages 36 to 81 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. COMPANY BACKGROUND

S & D International Development Group Limited (the "Company") (formerly known as "SJTU Sunway Software Industry Limited") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its principal place of business is located at Room 2801, 28/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

Pursuant to a special resolution passed at the extraordinary general meeting held on 10 August 2007, the name of the Company has been changed from "SJTU Sunway Software Industry Limited" to "S & D International Development Group Limited".

The principal activities of the Group during the year are the provision of custom-made solutions, trading of computer equipment and provision of information localisation services.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) State of Books and Records Maintained by Certain Subsidiaries

The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, after the reconstitution of the board during the year ended 31 December 2007, the Group no longer has access to certain of prior years' books and records of SJTU Sunway Information Technology Co. Ltd., SUNV (Beijing) Century Information Technology Co., Ltd., Beijing Guoxin Sunway IT Co., Ltd., Shanghai Sunway Century IT Co., Ltd. and Fujian Multi Language Translation Service Co., Ltd., the subsidiaries of the Company. The present directors tried to get assistance from the former directors to locate the relevant information and documents. However, the present directors lost contact with certain former directors and were therefore unable to access to the relevant information and documents within the time constraint in the preparation of these financial statements. Hence, only limited books and records of these subsidiaries are accessible by the present directors. In view of the foregoing, no representations as to the completeness of the books and records could be given by the present directors although care has been taken in the preparation of the financial statements to mitigate the effect of the incomplete records. The directors have in the assessment of the Group's assets and liabilities taken such steps as they considered practicable to establish these assets and liabilities based on the information of which they were aware and have made provisions and adjustments as they considered appropriate in the preparation of these financial statements.

On this basis, the directors believe that no significant liability has not been included in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

b) Going Concern

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group in view of its net liabilities as at 31 December 2007. During the year and up to the date of approval of these financial statements, the Group defaulted on the repayment of bank loan (see note 24).

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted the following measures:

i) The directors of the Company are planning in negotiation with the Group's bank to reschedule the repayment of bank borrowings due by the Group and to seek the ongoing support to the Group from this bank and other banks.

ii) The directors of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, a private placement, an open offer or a rights issue of new shares of the Company.

iii) The directors of the Company continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

In the opinion of the directors of the Company, in light of the measures taken to date, together with expected results of other measures in progress, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable going concern. Accordingly, notwithstanding that the Group incurred a consolidated net loss attributable to equity shareholders of the Company of approximately HK$5,376,000 for the year ended 31 December 2007 and had consolidated net current liabilities of approximately HK$28,966,000 and consolidated net liabilities of approximately HK$5,929,000 as at 31 December 2007, the directors of the Company are of the opinion that it is appropriate to prepare these financial statements for the year ended 31 December 2007 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. All financial information presented in Hong Kong dollars has been rounded to the nearest thousand.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Subsidiaries and Minority Interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3(l) or (m) depending on the nature of the liability.

In the Company's balance sheet, the investments in the subsidiaries are stated at cost less impairment losses (see note 3(j)), unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in the associate recognised for the year (see notes 3(e) and (j)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3(j)). In respect of associate, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

f) Investment Fund

Investment funds are classified as current assets. Investment funds are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Property, Plant and Equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(j)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	over the shorter of 5 years or the unexpired terms of leases
Computer and other equipment	4-5 years
Furniture and fixtures	3 years
Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

h) Intangible Assets (Other than Goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 3(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 3(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The capitalised development costs with finite useful lives are amortised from the date they are available for use and their estimated useful lives are five years.

Both the period and method of amortisation are reviewed annually.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Intangible Assets (Other than Goodwill) (Continued)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

i) Leased Assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Impairment of Assets

i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— signification financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Impairment of Assets (Continued)

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— investments in subsidiaries and an associate; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Impairment of Assets (Continued)

ii) Impairment of other assets (Continued)

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

k) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 3(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 3(j)).

l) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

m) Trade and Other Payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Employee Benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based compensation reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

p) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Income Tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the foreseeable future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Income Tax (Continued)

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

q) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

r) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

i) Custom-made solutions

When the outcome of a custom-made solution contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a custom-made solution contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

ii) Provision of information localisation services

Revenue from the provision of information localisation services are recognised when the services are rendered.

iii) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and related risks and rewards of ownership. Revenue excludes value addes tax or other sales taxes and is after deduction of any trade discounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Revenue Recognition (Continued)

iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

s) Translation of Foreign Currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

t) Borrowing Costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

u) Related Parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Related Parties (Continued)

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

v) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and the Interpretations that are first effective or available for early adoption for current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 30.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 29(f).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

5. TURNOVER

Turnover represents the revenue from the provision of custom-made solutions and information localisation services and the sales value of goods sold after allowances for goods returned, excludes value added or other sales taxes and is after the deduction of any trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2007	2006
	HK$'000	HK$'000
Trading of computer equipment	**2,247**	—
Provision of custom-made solutions	**1,200**	—
Provision of information localisation services	**—**	715
	3,447	715

6. OTHER REVENUE

	2007 HK$'000	2006 HK$'000
Interest income	—	1
Other income	—	5
	—	6

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

a) Finance costs:

	2007 HK$'000	2006 HK$'000
Interest expense on financial liabilities not at fair value through profit or loss		
— Interest on bank borrowings wholly repayable within five years	1,703	1,483

b) Staff costs (including directors' remuneration):

	2007 HK$'000	2006 HK$'000
Salaries, wages and allowances	2,091	2,181
Contributions to retirement benefits schemes (note 26)	58	74
	2,149	2,255

c) Other items

	2007 HK$'000	2006 HK$'000
Auditors' remuneration	438	300
Depreciation of property, plant and equipment	55	242
Amortisation of intangible assets	—	1,329
Impairment losses in respect of		
— Property, plant and equipment (note 14)	—	1,468
— Intangible assets (note 15)	—	3,173
— Interest in an associate (note 17)	—	4,849
— Goodwill (note 18)	—	9,697
— Trade receivables (note 20(b))	57	225
— Investment funds (note below)	—	6,411
Write-off of other receivables	702	625
Operating lease charges in respect of properties: minimum lease payments	522	132
Net foreign exchange loss	1	—

7. LOSS BEFORE TAXATION (Continued)

Note: Impairment of investment funds

Pursuant to an agreement dated 1 June 2004, a subsidiary of the Group entered into an agreement with 北京盛邦投資有限公司 (「盛邦」), an independent PRC company, for a term of one year for the provision of advisory service on capital investment and expired on 30 June 2005. As at 31 December 2004, a total of approximately HK$7,967,000 was placed with 盛邦 and recorded as investment funds.

On 30 June 2005, a subsidiary of the Group entered into a supplementary agreement to extend the provision of advisory service on capital investment for a further year and expiring on 30 June 2006. During the year ended 31 December 2005, the Group paid further deposits to 盛邦 of approximately HK$8,460,000 with an aggregate amount of approximately HK$16,427,000 held by 盛邦 as at 31 December 2005.

During the year ended 31 December 2006, the agreement for provision of advisory service on capital investment expired. An aggregate amount of approximately HK$10,016,000 was refunded from 盛邦. However, the directors are of the opinion that, the remaining balances of approximately HK$6,411,000 is unlikely to be refunded from 盛邦 and a full impairment loss is then provided for in the consolidated financial statements.

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) For the years ended 31 December 2007 and 2006, no provision for Hong Kong Profits Tax nor PRC Income Tax has been made as the Group did not have estimated assessable profits subject to Hong Kong Profits Tax and the income tax rule and regulations of the PRC.

As foreign investment enterprises in the PRC, two subsidiaries of the Company are granted certain tax relief, under which they are entitled to income tax exemption for first three profit making years and to a 50% relief for PRC income tax to the following three years, after which the subsidiaries' profits are subject to PRC income tax at the rate of 15%.

b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2007 **HK$'000**	2006 HK$'000
Loss before taxation	**(5,387)**	(10,966)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the tax jurisdictions concerned	**(952)**	(1,572)
Tax effect of non-deductible expenses	**636**	4,236
Tax effect on non-taxable income	**—**	(2,426)
Tax effect of prior years' tax losses utilised this year	**—**	(411)
Tax effect on unused tax losses not recognised	**316**	173
Actual tax expense	**—**	—

8. INCOME TAX IN THE CONSOLIDATION INCOME STATEMENT (Continued)

c) New tax law of the PRC

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC ("the New Tax Law"), which would become effective on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law ("the Implementation Rules").

According to the New Tax Law, from 1 January 2008, the standard corporate income tax rate for enterprises in the PRC will be reduced from 33% to 25%. However, an "encouraged hi-tech enterprise" will continue to be entitled to a reduced corporate income tax rate of 15%. The detailed application of the newly introduced preferential tax policies have yet to be made public.

Under the New Tax Law being effective from 1 January 2008 and in accordance with "Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax" (Guo Fa [2007] No. 39) promulgated by the State Council on 26 December 2007, an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the New Tax Law will be subject to a transitional tax rate beginning in period 2008 ("Transitional Tax Rate") before the new corporate income tax rate of 25% applies. For companies currently enjoying a reduced tax rate of 15%, the Transitional Tax Rate is 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 onwards respectively. The tax rate will transit to the standard tax rate of 25% for entities with current tax rate of 24% effective from 1 January 2008.

Any unutilized tax holidays can continue until expiry while tax holidays will be deemed to start from 1 January 2008, even if the company is not yet turning to a profit.

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable. The deferred tax assets/liabilities of subsidiaries in the PRC are measured using enacted tax rates expected to apply to taxable income, based on the Transitional Tax Rate, in the years in which those temporary differences are expected to be recovered or settled.

In addition, under the New Tax Law, a withholding tax may be applied on the gross amount of dividends received by the Company from its PRC subsidiaries after 1 January 2008. The Implementation Rules provides for the withholding tax rate to be at 10% unless reduced by treaty.

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Year ended 31 December 2007:

	Directors' fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Contributions to retirement benefits schemes HK$'000	2007 Total HK$'000
Executive Directors				
Tinna Chan Yee (note 1)	—	—	—	—
Sana Bakhitar Ahmed (note 1)	—	—	—	—
Henry Dicker Yee (note 2)	—	516	5	521
Tan Shu Jiang	—	12	—	12
Sze Wai, Marco (note 5)	—	—	—	—
Shang Guan Bu Yan (note 5)	—	—	—	—
Chen Si Gen (note 5)	—	—	—	—
Independent Non-Executive Directors				
Chan Cheong Yee (note 3)	46	—	—	46
Ronald Gary Hopp (note 3)	3	—	—	3
Yip Tai Him (note 3)	46	—	—	46
Wang Tian Ye (note 6)	—	—	—	—
Wang Bin (note 6)	—	—	—	—
Xu Shi Hon (note 6)	—	—	—	—
	95	528	5	628

9. DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2006:

	Directors' fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Contributions to retirement benefits schemes HK$'000	2006 Total HK$'000
Executive Directors				
Tan Shu Jiang	—	100	5	105
Sze Wai, Marco (note 5)	—	200	10	210
Shang Guan Bu Yan (note 5)	—	100	5	105
Chen Si Gen (note 5)	—	150	8	158
He En Pei (note 4)	—	205	8	213
Independent Non-Executive Directors				
Wang Tian Ye (note 6)	100	—	—	100
Wang Bin (note 6)	100	—	—	100
Xu Shi Hong (note 6)	100	—	—	100
	300	755	36	1,091

Notes:

1. Appointed on 1 February 2007
2. Appointed on 8 August 2007
3. Appointed on 27 March 2007
4. Resigned on 6 September 2006
5. Resigned on 1 February 2007
6. Resigned on 27 March 2007

For the years ended 31 December 2007 and 2006, no emoluments were paid to the Company's directors as an inducement to join or upon joining the Group or as compensation for loss of office. During the years ended 31 December 2007 and 2006, no fee or any other emolument was waived by the Company's directors.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2006: four) is a director whose emolument is disclosed in note 9. The aggregate of the emoluments in respect of the other four (2006: one) individuals are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other emoluments	**1,025**	251
Contributions to retirement benefits scheme	**36**	10
	1,061	261

The emoluments of four (2006: one) individuals with the highest emoluments are within the following band:

	2007	2006
	Number of individuals	Number of individuals
Nil — HK$1,000,000	**4**	1

There were no amounts paid or payable during the years ended 31 December 2007 and 2006 to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

11. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$861,000 (2006: HK$20,399,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK$5,376,000 (2006: HK$11,248,000) and the weighted average of 200,000,000 (2006: 200,000,000) ordinary shares in issue during the year.

b) Diluted loss per share

There were no dilutive potential ordinary share in issue during the years ended 31 December 2007 and 2006 as no diluting events were existed during those years.

13. SEGMENT REPORTING

Business segmental information for the Group for the years ended 31 December 2007 and 2006 are shown as below.

As the Group mainly operates in Hong Kong (2006: mainly operates in the People's Republic of China), no geographical segment information is presented.

Business segments

The Group comprise the following main business segments:

i) Custom-made solutions

To develop and implement custom-made solutions which are specifically designed and developed for the specific needs and requirements of a particular customer.

ii) Computer equipment

Trading of computer hardware and software.

iii) Information localisation services

To provide translation and information localisation services.

13. SEGMENT REPORTING (Continued)

For the year ended 31 December 2007:

	Custom-made solutions HK$'000	Computer equipment HK$'000	Information localisation services HK$'000	Consolidated HK$'000
Revenue from external customer	1,200	2,247	—	3,447
Segment result	(1,409)	(259)	(428)	(2,096)
Unallocated operating income and expenses				(3,183)
Loss from operations				(5,279)
Finance costs				(1,703)
Waiver of amount due to a former shareholder				1,595
Loss before taxation				(5,387)
Income tax				—
Loss for the year				(5,387)
Depreciation and amortisation	—	—	—	
Impairment loss for trade receivables	—	—	57	
Write-off of other receivables	—	—	702	
Capital expenditure	—	—	—	
At 31 December 2007:				
Segment assets	313	38	—	351
Unallocated assets				23,994
Consolidated total assets				24,345
Segment liabilities	1,722	298	1,192	3,212
Unallocated liabilities				27,062
Consolidated total liabilities				30,274

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

13. SEGMENT REPORTING (Continued)

For the year ended 31 December 2006:

	Custom-made solutions HK$'000	Computer equipment HK$'000	Information localisation services HK$'000	Consolidated HK$'000
Revenue from external customer	—	—	715	715
Segment result	—	—	(14,389)	(14,389)
Unallocated operating income and expenses				(4,351)
Loss from operations				(18,740)
Finance costs				(1,483)
Waiver of amount due to a former shareholder				23,803
Impairment loss on goodwill				(9,697)
Impairment loss on interest in an associate				(4,849)
Loss before taxation				(10,966)
Income tax				—
Loss for the year				(10,966)
Depreciation and amortisation	—	—	1,571	
Impairment loss on intangible assets	—	—	3,173	
Impairment loss for trade receivables	—	—	225	
Write-off of other receivables	—	—	625	
Impairment loss for property, plant and equipment	—	—	1,468	
Capital expenditure	—	—	—	

At 31 December 2006:

	Custom-made solutions HK$'000	Computer equipment HK$'000	Information localisation services HK$'000	Consolidated HK$'000
Segment assets	—	—	447	447
Unallocated assets				23,174
Consolidated total assets				23,621
Segment liabilities	—	—	1,040	1,040
Unallocated liabilities				21,748
Consolidated total liabilities				22,788

14. PROPERTY, PLANT AND EQUIPMENT

	The Group				
	Leasehold improvements	**Computer and other equipment**	**Furniture and fixtures**	**Motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 January 2006	483	2,176	1,138	786	4,583
Exchange adjustments	29	130	68	47	274
At 31 December 2006 and 1 January 2007	512	2,306	1,206	833	4,857
Additions	267	57	58	—	382
At 31 December 2007	779	2,363	1,264	833	5,239
Accumulated depreciation					
At 1 January 2006	94	1,664	749	462	2,969
Exchange adjustments	5	100	45	28	178
Charge for the year	—	68	75	99	242
Impairment losses	413	474	337	244	1,468
At 31 December 2006 and 1 January 2007	512	2,306	1,206	833	4,857
Charge for the year	36	6	13	—	55
At 31 December 2007	548	2,312	1,219	833	4,912
Net book value					
At 31 December 2007	231	51	45	—	327
At 31 December 2006	—	—	—	—	—

Impairment loss

As explained in note 2(a) and after the reconstitution of the board, the present directors are unable to access to fixed assets registers and are unable to locate the relevant assets, amounting to approximately HK$4,857,000 that were brought forward from 31 December 2006. As a result, the Group assessed the recoverable amounts of these assets. Based on this assessment, the directors consider that it is unlikely that these assets as at 31 December 2006 have any future value in use and the carrying amounts of these assets were fully impaired during the year ended 31 December 2006.

15. INTANGIBLE ASSETS

	The Group HK$'000
Cost	
At 1 January 2006	12,966
Exchange adjustments	778
At 31 December 2006 and 2007	13,744
Accumulated amortisation/impairment	
At 1 January 2006	8,719
Exchange adjustments	523
Charge for the year	1,329
Impairment loss	3,173
At 31 December 2006 and 2007	13,744
Net book value	
At 31 December 2007	—
At 31 December 2006	—

Intangible assets comprise computer software development costs. The intangible assets have finite useful lives and are amortised on a straight line basis over five years.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Impairment loss

Owing to the unsatisfactory sales records on the computer software, the directors have performed an assessment on the recoverable amount of the development costs previously capitalised for these computer software. Based on this assessment, the directors consider that it is unlikely that these development costs have any future value in use and hence the carrying amount of these development costs in the amount of approximately HK$3,173,000 were fully impaired during the year ended 31 December 2006.

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**13,765**	13,765
Less: Accumulated impairment losses	**(13,764)**	(13,764)
	1	1

(a) Details of the movements in impairment losses in investments in subsidiaries are listed below:

	2007	2006
	HK$'000	HK$'000
Balance as at 1 January	**13,764**	—
Impairment loss recognised	**—**	13,764
Balance as at 31 December	**13,764**	13,764

As at 31 December 2006, the directors of the Company assessed the recoverable amount of the investments in subsidiaries as they considered that the subsidiaries incurred losses for the year ended 31 December 2006 and prior years and there were indications of impairment on the carrying amount. The recoverable amount as determined was based on the directors' own judgement and estimation.

16. INVESTMENTS IN SUBSIDIARIES (Continued)

(b) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Subsidiaries

Name of company	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up/registered capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
Besto Investment Limited	British Virgin Islands ("BVI")	Hong Kong	US$14,833	100%	100%	—	Investment holding
Surplus Trade Investment Limited	BVI	BVI	US$1,000	100%	100%	—	Investment holding
Top Universal Limited	BVI	BVI	US$1	100%	100%	—	Investment holding
Topstand Limited	BVI	BVI	US$1	100%	100%	—	Investment holding
Transwood Limited	BVI	BVI	US$1	100%	100%	—	Investment holding
Eastpak Development Limited	BVI	BVI	US$1	100%	100%	—	Investment holding
Cheermax Investments Limited	BVI	BVI	US$1	100%	100%	—	Investment holding
SJTU Sunway Information Technology Co., Ltd.*	PRC	PRC	RMB25,000,000	100%	—	100%	Provision of translation services and sales of general software
SUNV (Bejing) Century Information Technology Co., Ltd.*	PRC	PRC	RMB6,000,000	100%	—	100%	Provision of translation services
New Champion International Ltd.	BVI	BVI	US$500	100%	—	100%	Investment holding
Mainca International Limited	Hong Kong	Hong Kong	HK$1	100%	—	100%	Software development business and trading of computer equipment
S & D Management Limited	Hong Kong	Hong Kong	HK$10	100%	—	100%	Centralization of administrative expenses
S & D Real Estates Group Limited	Hong Kong	Hong Kong	HK$10	100%	—	100%	Not yet commenced business
Global Land (Asia) Limited	Hong Kong	Hong Kong	HK$1	100%	—	100%	Not yet commenced business
S & D Enterprises Limited	Hong Kong	Hong Kong	HK$1	100%	—	100%	Provision of instant on-screen hotel entertainment programme
Winner Zone Limited	Hong Kong	Hong Kong	HK$1	100%	—	100%	Provision of instant on-screen hotel entertainment programme
Beijing Guoxin Sunway IT Co., Ltd.#	PRC	PRC	RBM2,000,000	51%	—	51%	Provision of translation services
Shanghai Sunway Century IT Co., Ltd.#	PRC	PRC	RMB5,000,000	90%	—	90%	Provision of translation services
Fujian Multi Language Translation Service Company Limited#	PRC	PRC	RMB5,000,000	75%	—	75%	Provision of translation services

* These are wholly foreign-owned enterprises established in the PRC.

\# These are domestic limited liability companies established in the PRC.

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For the year ended 31 December 2007

17. INTEREST IN AN ASSOCIATE

	The Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**1,456**	1,456
Goodwill	**3,393**	3,393
	4,849	4,849
Less: impairment loss	**(4,849)**	(4,849)
	—	—

The following list contains only the particulars of unlisted associate, which principally affected the results or assets of the Group as at 31 December 2007:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and operation	Particulars of registered capital	Group's effective interest	held by the Company	held by subsidiary	Principal activity
Beijing Advanced Information Storage Technology Co., Ltd. ("Beijing AIS") 北京愛思拓信息存儲技術有限公司	Incorporated	PRC	RMB12,500,000	45%	—	45%	Development and sales of jukebox and the provision of data storage services

Impairment loss

After the reconstitution of the board, the Group cannot access to the accounting records and management accounts of the associate for the two years ended 31 December 2007 and 2006. In the opinion of the Company's directors, the recoverable amount of interest in the associate is doubtful and a full impairment loss is provided for in the consolidated income statement for the year ended 31 December 2006.

Accounting treatment

After the reconstitution of the board, the Group cannot access to the accounting records and management accounts of the associate for the two years ended 31 December 2007 and 2006, the interest in the associate was accounted for in the consolidated financial statements under the equity method using the financial information of the associate as at 31 December 2005.

18. GOODWILL

	The Group HK$'000
Cost:	
At 1 January 2006, 31 December 2006 and 31 December 2007	9,697
Accumulated impairment losses:	
At 1 January 2006	—
Impairment loss	9,697
At 31 December 2006 and 2007	9,697
Carrying amount:	
At 31 December 2007	—
At 31 December 2006	—

Impairment test for the cash-generating unit containing goodwill

For the purposes of impairment testing, goodwill has arisen from the acquisition of a subsidiary, New Champion International Limited ("New Champion"). New Champion is an investment vehicle holding 45% interests in Beijing AIS (see note 17). Other than holding the 45% interests in Beijing AIS, New Champion does not have any business and own any material assets. Beijing AIS is principally engaged in the development and sale of Jukebox in the PRC.

Goodwill acquired has been allocated to the cash generating unit of Beijing AIS.

As explained in note 17, the Group no longer has access to the accounting records and management account of Beijing AIS for the years ended 31 December 2007 and 2006. The Company's directors are currently negotiating an arrangement for the Group to access the financial information of Beijing AIS with the management of Beijing AIS but has been unable reach an agreement at this point in time. The Company's directors consider that a full impairment loss for goodwill of approximately HK$9,697,000 was necessary during the year ended 31 December 2006.

19. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

On 30 March 2005, the Group entered into an equity transfer agreement with Mighty Wish Services Limited ("Mighty Wish") and an independent third party (the "Equity Transfer Agreement"). Pursuant to the Equity Transfer Agreement, the Group agreed to acquire the entire equity interest in both Mighty Wish and Shanghai Ruijin Translation Company Limited ("Translation Company") from this independent third party for a consideration of HK$19,500,000 subject to the conditions that the Translation Company has been reorganised as a wholly owned subsidiary of Mighty Wish or with prior written consent of the Group, under the PRC laws and regulations, that the Translation Company has been legally and validly converted into a wholly owned foreign enterprise within 90 days after the execution of the Equity Transfer Agreement. The Equity Transfer Agreement shall be terminated forthwith in the event that if the conditions set out above is not fulfilled within 90 days after the execution of the Equity Transfer Agreement. The independent third party shall return the entire amount of the Deposit (without interest) to the Group.

On 28 June 2005, the Group, the independent third party and Mighty Wish entered into a supplementary agreement to the Equity Transfer Agreement ("Supplemental Agreement") pursuant to which the long stop date for the fulfillment of such condition precedent to the completion of the Acquisition was extended from 90 days to 180 days after the execution of the Equity Transfer Agreement.

During the year ended 31 December 2005, the Group has paid an aggregate amount of approximately HK$12,710,000 which was retained as a deposit for the acquisition of Mighty Wish and Translation Company. The transactions have not yet completed and the long stop date was expired as at the balance sheet date. Such deposit was still outstanding as at 31 December 2007 and 2006.

The Company's directors believe that the above transaction will not be completed, and the directors of the Company are of opinion that they will make their effort to trace this debtor to refund such deposit.

On 16 May 2006, Surplus Trade Investment Limited ("Surplus Trade"), a wholly owned subsidiary of the Company, entered into another equity transfer agreement with Mr. Wong Chi Wai ("Mr. Wong"), an independent third party. Pursuant to the agreement, Surplus Trade agreed to acquire the entire equity interest in First Preview Limited and its subsidiaries (together referred to as the "First Preview Group") for a consideration of HK$42,000,000. First Preview Group is engaged in hotel business.

During the year ended 31 December 2006, the Group has paid an aggregate amount of HK$10,000,000 which was retained as a deposit for the acquisition of First Preview Group. As certain conditions set out in such equity transfer agreement has not yet been fulfilled, the transaction cannot completed at the balance sheet date. This deposit was still outstanding as at 31 December 2007 and 2006.

However, the Company was informed by the Stock Exchange that such acquisition would not be in full compliance with rule 19.88 of the GEM Listing Rules (the "Rule 19.88"), and the waiver of the requirements of the Rule 19.88 is not granted in this case pursuant to the rule 19.89 of the GEM Listing Rules. In the event that no revised structure of the acquisition could be agreed upon, the parties terminated the said conditional equity transfer agreement as the conditions precedent could not be fulfilled, and Mr. Wong should refund the deposit of HK$10,000,000 to the Group. The directors of the Company are of opinion that they will make their effort to trace this debtor to refund such deposit.

19. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES (Continued)

The Company's directors are of the opinion that no impairment loss for these deposits is considered necessary in respect of the years ended 31 December 2007 and 2006.

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**11,308**	10,568	**—**	—
Less: Allowance for doubtful debts (note 20(b))	**(11,308)**	(10,515)	**—**	—
	—	53	**—**	—
Other debtors	**30**	591	**30**	64
Amounts due from subsidiaries	**—**	—	**11,370**	11,175
Loans and receivables	**30**	644	**11,400**	11,239
Deposits and prepayments	**603**	103	**234**	—
	633	747	**11,634**	11,239

The amounts due from the subsidiaries (net of accumulated impairment losses of approximately HK$20,500,000 (2006: HK$20,500,000)) are unsecured, non-interest bearing and has no fixed terms of repayment. The impairment loss of approximately HK$Nil (2006: HK$20,500,000) for the year ended 31 December 2007 has been made for the amounts due.

Debts are due for payment at the date of billing. Credit term granted by the Group to customers is generally between one to six months. Subject to negotiation, extended credit terms are available for certain major customers with well-established trading records.

All of the trade and other receivables, apart from amounts due from subsidiaries, are expected to be recovered or recognised as expense within one year.

a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2007	2006
	HK$'000	HK$'000
Over 360 days	**—**	53

20. TRADE AND OTHER RECEIVABLES (Continued)

b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 3(j)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**10,515**	9,804
Exchange adjustments	**736**	589
Impairment loss recognised	**57**	225
Uncollectible amounts written off	**—**	(103)
At 31 December	**11,308**	10,515

Trade debtors are collectively considered to be impaired in accordance with their ageing.

c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
1 year past due	**—**	53

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances, denominated in				
— Hong Kong dollars and United States dollars	**502**	2	**—***	—
— Renminbi	**173**	162	**—**	—
Cash and cash equivalents in the balance sheets and consolidated cash flow statement	**675**	164	**—**	—

* Less than HK$1,000

Cash and cash equivalents of approximately HK$173,000 (equivalent to approximately RMB162,000) (2006: HK$162,000 (equivalent to approximately RMB162,000)) are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restriction imposed by the PRC government.

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due to the subsidiaries	**—**	—	**10,162**	8,136
Trade creditors	**395**	369	**—**	—
Bank loan interest payable	**3,526**	1,704	**—**	—
Other creditors and accrued charges	**5,832**	4,899	**1,081**	1,093
Financial liabilities measured at amortised cost	**9,753**	6,972	**11,243**	9,229

The amounts due to the subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	The Group	
	2007	2006
	HK$'000	HK$'000
Over 360 days	**395**	369

23. AMOUNTS DUE TO FORMER DIRECTORS / A DIRECTOR / A SHAREHOLDER

The amounts are unsecured, interest free and repayable on demand.

24. BANK LOAN, UNSECURED

At 31 December 2007, the bank loan was carried at amortised cost and payable as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
On demand	**14,980**	14,000

The unsecured bank loan was matured on 30 May 2005 and the Group defaulted on the repayment of such bank loan. The unsecured bank loan of RMB14,000,000 (equivalent to approximately HK$14,980,000) (2006: RMB14,000,000 (equivalent to approximately HK$14,000,000)) has been overdue and was bearing interest at 9.558% (2006: 9.558%) per annum. As at 31 December 2007, the lender has not agreed to waive its right to demand immediate payment as at the balance sheet date. The Group is planning to further liaise with the relevant bank and enter into the settlement arrangement in future.

The unsecured bank loan is guaranteed by a subsidiary of a former shareholder.

25. OTHER LOAN PAYABLE, UNSECURED

At 31 December 2007, the other loan was carried at amortised cost and payable as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
On demand	**495**	436

The other loan of RMB462,500 (equivalent to approximately HK$495,000) (2006: RMB462,000 (equivalent to approximately HK$436,000)) advanced from an independent third party is interest free and repayable on demand.

26. RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Group participate in a defined contribution retirement scheme (the "Scheme") organised by the PRC municipal government whereby the PRC subsidiaries are required to contribute to the Scheme for the retirement benefits of eligible employees. Contributions made are calculated based on 19% to 34% of the payroll costs of the eligible employees. The PRC municipal government is responsible for the administration of the Scheme. The PRC subsidiaries are not liable to any retirement benefits beyond its obligation to contribute.

26. RETIREMENT BENEFITS (Continued)

For providing retirement benefits to its employees in Hong Kong, the Group has set up a mandatory provident fund ("MPF") scheme which is available to all Hong Kong employees. The Group's and the employees' contributions to the MPF scheme are based on 5% of the relevant income of the relevant employees in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance and related regulations.

Contributions made to the above schemes by the Group amounted to approximately HK$58,000 (2006: HK$74,000) for the year. No other scheme for the retirement benefit is participated by the Group.

27. EQUITY SETTLED SHARE-BASED TRANSACTIONS

A share option scheme (the "Scheme") of the Company was adopted on 25 November 2003 for the purpose of providing incentives and rewards to eligible participants, including the executive directors of the Company, who contribute to the success of the Group's operations.

The Board of Directors of the Company may, at their discretion, grant option to the eligible participants including any employees, directors, suppliers, customers, advisors, consultants, joint venture partners and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities. The maximum number of shares of the Company which may be issued upon exercise of all options granted under its Scheme or any other share option scheme adopted by the Company must not exceed 30% of its issued share capital from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 20,000,000 shares, being 10 per cent of the shares in issue unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by substantial shareholder in a general meeting of the Company. Any grant of options under the Scheme to a director, chief executive, management shareholder or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 31 December 2006, the number of shares of the Company in respect of which options had remained outstanding under the Scheme of the Company was 8,000,000, representing 4% of the shares of the Company in issue at that date.

The offer of a grant of share options may be accepted within 21 business days from the date of the offer of grant of the option. The consideration for a grant of options the Company is HK$1.00. The exercise period of the share options granted is determined by the Board of Directors.

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For the year ended 31 December 2007

27. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

The exercise price of the share options is determined by the Board of Directors providing that the exercise price of the share options shall not be less than the highest of (i) the closing price of the shares on GEM as stated in the Stock Exchange's daily quotations on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares on GEM as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No share option under the Scheme was granted during the years ended 31 December 2007 and 2006.

The number and weighted average exercise prices of share options are as follows:

	2007		2006	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**HK$0.22**	**8,000**	HK$0.24	15,070
Lapsed during the year	**HK$0.22**	**(8,000)**	HK$0.26	(7,070)
Outstanding at the end of the year	—	—	HK$0.22	8,000
Exercisable at the end of the year	—	—	HK$0.22	8,000

The options outstanding at 31 December 2006 had an exercise price of HK$0.45 or HK$0.14 and a weighted average remaining contractual life of 9 years.

28. DEFERRED TAXATION NOT RECOGNISED

The Group has not recognised deferred tax assets in respect of tax losses of approximately HK$15,711,000 (2006: HK$15,395,000) as it is not probable that future taxable profits will be available against which the asset can be utilised. The Group's tax losses of approximately HK$15,395,000 and HK$316,000 will expire in five years from the year the tax losses were resulted and do not expire under the current tax legislation respectively.

The Company had no significant potential deferred tax assets and liabilities for the year and at the balance sheet date.

29. CAPITAL AND RESERVES

a) The Group

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital surplus HK$'000	General reserve HK$'000	Exchange reserve HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2006	2,000	30,224	15,090	2,927	—	3,282	(42,197)	11,326	1,000	12,326
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	—	(550)	—	—	(550)	23	(527)
Share options lapsed	—	—	—	—	—	(1,540)	1,540	—	—	—
Loss for the year	—	—	—	—	—	—	(11,248)	(11,248)	282	(10,966)
At 31 December 2006	2,000	30,224	15,090	2,927	(550)	1,742	(51,905)	(472)	1,305	833
At 1 January 2007	2,000	30,224	15,090	2,927	(550)	1,742	(51,905)	(472)	1,305	833
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	—	(1,466)	—	—	(1,466)	91	(1,375)
Share options lapsed	—	—	—	—	—	(1,742)	1,742	—	—	—
Loss for the year	—	—	—	—	—	—	(5,376)	(5,376)	(11)	(5,387)
At 31 December 2007	2,000	30,224	15,090	2,927	(2,016)	—	(55,539)	(7,314)	1,385	(5,929)

b) The Company

	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	2,000	30,224	3,282	(14,476)	21,030
Share options lapsed	—	—	(1,540)	1,540	—
Loss for the year	—	—	—	(20,399)	(20,399)
At 31 December 2006	2,000	30,224	1,742	(33,335)	631
At 1 January 2007	2,000	30,224	1,742	(33,335)	631
Share options lapsed	—	—	(1,742)	1,742	—
Loss for the year	—	—	—	(861)	(861)
At 31 December 2007	2,000	30,224	—	(32,454)	(230)

29. CAPITAL AND RESERVES (Continued)

c) Share capital

i) Authorised and issued share capital

	2007		2006	
	No. of shares		No. of shares	
	'000	**HK$'000**	'000	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**4,000,000**	**40,000**	4,000,000	40,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**200,000**	**2,000**	200,000	2,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

ii) Terms of unexpired and unexercised share options at balance sheet date

	Exercise price	**2007**	2006
		Number	Number
Exercise period			
17 January 2005 to 16 January 2015	HK$0.45	**—**	2,000,000
10 October 2005 to 9 October 2015	HK$0.14	**—**	6,000,000
		—	8,000,000

Each option entitles the hold to subscribe for one ordinary share in the Company. Further details of these options are set out in note 27 to the financial statements. All options outstanding at 31 December 2006 were lapsed during the year ended 31 December 2007.

d) Nature and purpose of reserves

i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall in the ordinary course of business.

ii) Capital surplus

Capital surplus mainly represents the waiver of loans from the then shareholders of Besto Investment Limited, which was contributed as part of the capital to SJTU Sunway Information Technology Co., Ltd.

29. CAPITAL AND RESERVES (Continued)

d) Nature and purpose of reserves (Continued)

iii) General reserve

According to its articles of association of the subsidiaries in the PRC, the subsidiaries are required to set up a general reserve and the transfer to this fund are at the discretion of the Company. This fund can be utilised to acquire property, plant and equipment, to increase current assets and may be converted into paid-in capital. Transfers from this fund are subject to approval by its board of directors.

iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt within in accordance with the accounting policies set out in note 3(s).

v) Share-based compensation reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the company recognised in accordance with the accounting policy adopted for share based payments in note 3(o)(ii).

e) Distributability of reserves

At 31 December 2007 and 2006, the Company did not have any reserves available for distribution to equity shareholders of the Company.

f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of (i) debt, which includes bank and other borrowings; (ii) cash and cash equivalents; and (iii) capital, which comprises all components of equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to balance its overall capital structure, the Group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Neither the Company nor any of its subsidiories are subject to externally imposed capital requirements.

30. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are mitigated by the Group's financial management policies and practices described below.

a) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet after deducting impairment allowance. In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, 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 debt at each balance sheet date 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 significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

The Group's credit risk is primarily attributable to trade and other receivables. Management has credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

b) Liquidity risk

Liquidity risk is the that the Group is unable to meet its current obligations when they fall due.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The total contractual undiscounted cash flows of the Group's and the Company's non-derivative finanacial liabilities are the same as their carrying amounts as their remaining contractual maturities are within one year.

30. FINANCIAL INSTRUMENTS (Continued)

c) Interest rate risk

The interest rates and maturity information of the Group's bank loans is disclosed in note 24. The Group policy is to manage its interest rate risk to ensure there are no undue exposure to significant interest rate movements and rates are approximately fixed. The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not use derivative financial instruments to hedge its debt obligations. Therefore, any future variations in interest rate would not have a significant impact on the results of the Group.

d) Currency risk

As most of the Group's monetary assets and liabilities are denominated in Hong Kong Dollars and Renminbi, and the Group conducted its business transactions principally in Hong Kong Dollars during the year ended 31 December 2007, the Group experiences only immaterial exchange rate fluctuations. The Group considers that as the exchange rate risk of the Group is not significant, the Group did not employ any financial instruments for hedging purpose.

e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2006.

31. OPERATING LEASE COMMITMENTS

At 31 December 2007 the total future minimum lease payments under non-cancellable operating lease in respect of an office property are repayable as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Within 1 year	**661**	—
After 1 year but within 5 years	**110**	—
	771	—

The Group is the leasee in respect of a property under operating lease. The lease typically runs for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

32. MATERIAL RELATED PARTY TRANSACTIONS

a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2007	2006
	HK$'000	HK$'000
Short-term employee benefits	**1,319**	1,055
Post-employment benefits	**27**	36
	1,346	1,091

Total remuneration is included in "staff costs" (see note 7(b)).

b) Financing arrangements

		Amounts owed to related parties As at 31 December		**Related interest (expenses)/income Year ended 31 December**	
		2007	2006	**2007**	2006
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Due to former directors	(i), (ii)	**—**	1,370	**—**	—
Due to a director	(i), (ii)	**14**	10	**—**	—
Due to a shareholder	(i), (ii)	**5,032**	—	**—**	—

Notes:

i) The outstanding balances with these related parties are unsecured, interest free and have no fixed repayment terms.

ii) Further details of the amounts due to former directors / a director / a shareholder are disclosed in note 23.

Details of new advances and repayments during the period are disclosed in the consolidated cash flow statement.

33. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in the year ended 31 December 2007. Further details of these developments are disclosed in note 4.

34. ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Notes 18 and 30 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

a) *Impairments*

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, intangible assets and investments in subsidiaries and associate, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as the level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on a reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

Allowance for impairment of doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the allowance for impairment of doubtful debts would affect profit or loss in future years.

b) *Depreciation*

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

c) *Impairment losses for goodwill*

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that goodwill may be impaired. If any such indication exists, the recoverable amount of the goodwill is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

34. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, HKFRS 8, Operating segments, which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

FIVE-YEARS FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	For the year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**3,447**	715	3,764	13,949	35,502
Cost of sales	**(2,668)**	(549)	(2,592)	(9,574)	(11,910)
Gross profit	**779**	166	1,172	4,375	23,592
Other revenue	**—**	6	146	1,115	2,247
Selling and distribution expenses	**(241)**	(110)	(4,824)	(14,953)	(8,246)
Research and development costs	**—**	(4,502)	(1,598)	(3,417)	(2,546)
General and administrative expenses	**(5,817)**	(14,300)	(29,467)	(12,478)	(6,186)
Finance costs	**(1,703)**	(1,483)	(1,125)	(631)	(208)
Waiver of amount due to a former shareholder	**1,595**	23,803	—	—	—
Impairment loss on goodwill	**—**	(9,697)	—	—	—
Impairment loss on interest in an associate	**—**	(4,849)	—	—	—
Share of losses of associates	**—**	—	(659)	5	—
Loss on disposal of an associate	**—**	—	(3,098)	—	—
(Loss)/profit before taxation	**(5,387)**	(10,966)	(39,453)	(25,984)	8,653
Income tax	**—**	—	(6)	—	(509)
(Loss)/profit for the year	**(5,387)**	(10,966)	(39,459)	(25,984)	8,144
Attributable to:					
Equity shareholders of the Company	**(5,376)**	(11,248)	(38,372)	(25,496)	8,144
Minority interests	**(11)**	282	(1,087)	(488)	—
(Loss)/profit for the year	**(5,387)**	(10,966)	(39,459)	(25,984)	8,144
(Loss)/earning per share					
Basic	**(2.69) cents**	(5.62) cents	(19.19) cents	(12.82) cents	6.26 cents
Diluted	**N/A**	N/A	N/A	N/A	N/A
ASSETS AND LIABILITIES					
Total assets	**24,345**	23,621	51,647	71,591	74,653
Total liabilities	**(30,274)**	(22,788)	(39,321)	(23,088)	(21,208)
	(5,929)	833	12,326	48,503	53,445
Total equity attributable to equity shareholders of the Company	**(7,314)**	(472)	11,326	46,416	53,445
Minority interest	**1,385**	1,305	1,000	2,087	—
	(5,929)	833	12,326	48,503	53,445