中國信息科技發展有限公司

China Information Technology Development Limited

(Formerly known as "Xteam Software International Limited")

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8178)

2007 Annual Report

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.

The Stock Exchange takes no responsibility of the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors ("Directors") of China Information Technology Development Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading: (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhang Honghai *(Chairman)*
Mr. Wang Zhenyu *(Chief Executive Officer)*
Mr. E Meng
Mr. Li Kangying
Dr. Yu Xiaoyang *(Vice President)*
Mr. Yan Qing
Mr. Zhang Zhihong *(Vice President)*
Mr. Cao Wei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ma Yuhua
Ms. Liang Yeping
Dr. Zhou Chunsheng

COMPANY SECRETARY

Ms. Ng Weng Sin

QUALIFIED ACCOUNTANT

Ms. Ng Weng Sin

COMPLIANCE OFFICER

Dr. Yu Xiaoyang

AUTHORISED REPRESENTATIVES

Mr. Wang Zhenyu
Ms. Ng Weng Sin

REMUNERATION COMMITTEE

Ms. Ma Yuhua *(Chairman)*
Ms. Liang Yeping
Dr. Zhou Chunsheng
Mr. Zhang Honghai

AUDIT COMMITTEE

Ms. Ma Yuhua
Ms. Liang Yeping
Dr. Zhou Chunsheng

AUDITORS

Ernst & Young

LEGAL ADVISORS

Conyers Dill & Pearman

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3401, West Tower, Shun Tak Centre
200 Connaught Road Central, Sheung Wan
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Ltd.
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

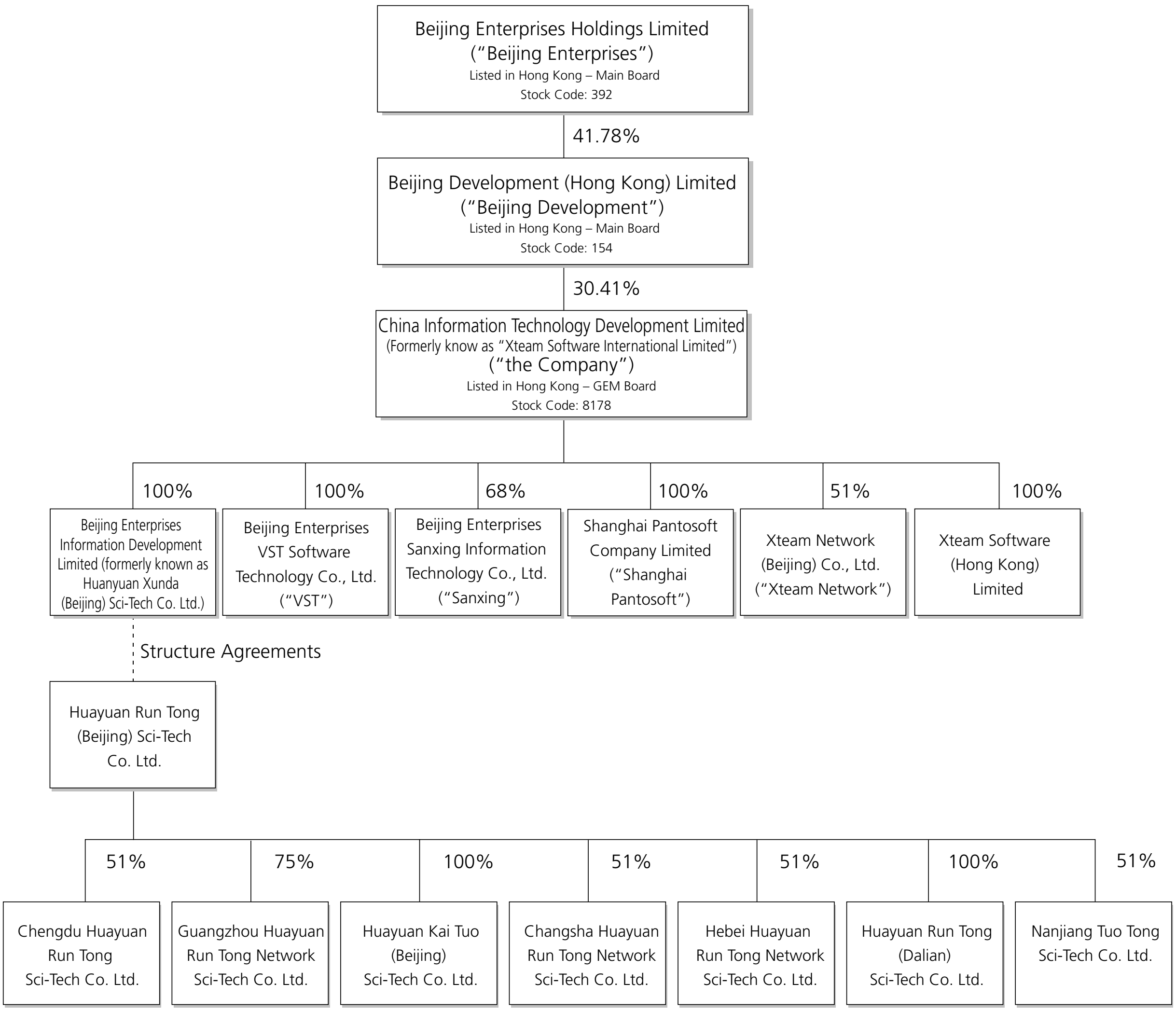
GEM STOCK CODE

8178

WEB-SITE ADDRESS

Xteamlinux.com.hk

CORPORATE STRUCTURE



Note: Place of operations:

Huayuan Run Tong (Beijing) Sci-Tech Co., Ltd	:	Beijing
Beijing Enterprises VST Software Technology Co., Ltd.	:	Beijing
Beijing Enterprises Sanxing Information Technology Co., Ltd.	:	Beijing
Shanghai Pantosoft Company Limited	:	Shanghai
Xteam Network (Beijing) Co., Ltd.	:	Beijing
Xteam Software (Hong Kong) Limited	:	Hong Kong

As at 31 December 2007

CHAIRMAN'S STATEMENT

I am pleased to announce that China Information Technology Development Limited and its subsidiaries (the "Group") achieved a significant turnaround in 2007, with a profit after tax of HK$16,053,000, compared with the loss of HK$222,363,000 for the previous year. Profit attributable to shareholders for the current year amounted to HK$16,310,000 and the basic earnings per share was HK$0.33 cents. Considering the working capital requirements for the Group's core business development, the board of directors does not recommend the payment of any dividend.

The year of 2007 was a milestone for the Group. In February 2007, the Group placed 300,000,000 ordinary shares at HK$0.098 each, and then in April, a further placing of 468,000,000 ordinary shares was carried out at a price of HK$0.315 per share. The Group recorded a net cash inflow of approximately HK$171,000,000 from the placements, and the cash received therefrom was used as the Group's working capital and was reserved for any investment that can generate further operating profit.

In May 2007, the Group entered into a sale and purchase agreement with Mr. Li Kecheng in respect of the acquisition of Full Trump International Limited ("Full Trump"). Such acquisition, which was completed in September, was a very substantial acquisition, and was of great significance to the Group's development. It signified:

1) EXPANSION OF BUSINESS SCALE

The acquisition of Huayuan Run Tong (Beijing) Sci-Tech Co. Ltd. and its subsidiaries ("Run Tong Group") under Full Trump facilitated the expansion of the Group's scale in terms of assets, operations and profit. Since the completion date of the acquisition (i.e. 18 September 2007) up to 31 December 2007, Run Tong contributed to the Group a turnover of HK$55,533,000 (41% of the Group's total turnover) and a profit after tax of HK$41,468,000.

2) EXPANSION OF CORE BUSINESS

Prior to the completion of acquisition, the Group primarily engaged in software development and system maintenance services for government IT development, with Beijing government authorities as our major customers. Following the incorporation of Run Tong into the Group, by leveraging on the technological edge of the Internet and mobile communication, our core business expanded into the mobilized law-enforcement for government authorities and information services for the government, community and individuals. The establishment of the mobilized law-enforcement system for Beijing Administration for Industry and Commerce played an important exemplary role for IT development of the industry and commerce authorities nationwide. Mingsuo（名索網）(www.mingsuo.com), one of the services developed and operated by Run Tong, is a public service platform for querying corporate registration information. The information provided on the website is the official data from Beijing Administration for Industry and Commerce, and is thus admissible as court evidences. Such business will be one of the key components of the Group's development, and in 2008, the Group will continue to expand the system to other provinces and cities in China in stages. Software development, system integration and maintenance services will maintain as one of the principal activities of the Group.

In November 2007, the board of directors decided to utilize part of the Company's share premium to offset the accumulated losses of HK$258,677,000 since the Company's incorporation up to 30 June 2007, as a preparation for future dividend payment.

At the Extraordinary General Meeting held in December 2007, it was approved to change the name of the Company from "Xteam Software International Limited 衝浪平台軟件國際有限公司" to "China Information Technology Development Limited 中國信息科技發展有限公司". The new name will benefit the Group's future development as it better reflects the Group's business focuses.

The Group's shareholding structure experienced changes in 2007 as a result of the significant events during the year. Beijing Development (Hong Kong) Limited ("Beijing Development"), which was the holding company of the Group holding a 55.05% interest, is currently the Group's largest shareholder which holds a 30.41% interest as at 31 December 2007. The two placements of new shares and a reduction in the number of shares held by Beijing Development both contributed to the higher liquidity of our shares on the stock market.

CHAIRMAN'S STATEMENT

In 2008, the Group will be dedicated to achieving the following objectives:

(1) formulate and specify Group's development strategies and speed up management team construction to enhance the Group's overall competitiveness.

(2) secure a stable profit by maintaining a steady growth in our existing businesses, integrating internal operations and expanding into the target markets.

(3) pursue investment opportunities, further expand the Group's business and enhance our strengths of profitability.

(4) improve investor relations, achieve higher degree of corporate transparency and better leverage on the capital market to facilitate further development.

On behalf of the board of directors, I would like to express my sincere gratitude to the community and the staff for their staunch support over the past year.

By order of the Board
Zhang Honghai
Chairman

Hong Kong, 27 March 2008

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The Group's revenue for 2007 amounted to HK$135,814,000, grew by HK$93,739,000, or representing 2.2 times of, HK$42,075,000 for 2006. It was mainly attributable to the turnover contribution of HK$55,533,000 from Run Tong during the period of 105 days from the completion of acquisition to the end of the year. In addition, other subsidiaries of the Group also recorded positive operating income, particularly for the software development business which showed a remarkable growth in income.

Law-enforcement officers of the Beijing Administration for Industry and Commerce are using a mobilized law-enforcement terminal to carry out their routine work.

COST OF SALES AND SERVICES

The Group had cost of sales and services of HK$49,963,000 for 2007, representing an increase of HK$31,318,000 as compared with HK$18,645,000 for 2006.

GROSS PROFIT

In 2007, gross profit of the Group increased by 2.7 times from HK$23,430,000 for 2006 to HK$85,851,000. In 2007, gross profit margin rose to 63.2% from 55.7% for 2006.

SELLING AND DISTRIBUTION COSTS

The Group's selling and distribution costs amounted to HK$10,681,000 for 2007, an increase of HK$2,149,000 or 25% as compared with HK$8,532,000 for 2006.

ADMINISTRATIVE AND OTHER EXPENSES

Administrative expenses of the Group amounted to HK$57,917,000 for 2007, increased by HK$35,080,000 as compared with HK$22,837,000 for 2006. The increase in administrative expenses was mainly a result of the amortization of share option costs. In 2007, an aggregate of 421,000,000 share options were granted by the Group to the management, staff and advisors and the cost is amortized over the terms of the share options under accounting standards. During the year, share option costs of HK$24,164,000 was allocated to administrative expenses and increased the accounting costs.

Mingsuo is an internet based platform opened to the public for querying corporate registration information

FINANCIAL COSTS

The Group recorded financial costs of HK$2,728,000 in 2007, surged by HK$2,170,000 from HK$558,000 for 2006. It was mainly attributable to the issuance of convertible bonds amounting to approximately HK$200,000,000 by the Group in respect of the acquisition of Full Trump. During the year, interest expenses on the convertible bonds amounted to HK$2,592,000.

MANAGEMENT DISCUSSION AND ANALYSIS

TAX

The Group's tax expenses amounted to HK$3,947,000 for 2007, rose by HK$1,881,000 as compared with HK$2,066,000 for 2006. The increase was mainly due to the increase in enterprise income tax expenses resulted from the higher profit of Run Tong.

Company executives are celebrating the kick-off of the digital community project in Beijing

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

in@box

The Group's profit attributable to shareholders was HK$16,310,000 for 2007, representing a turnaround of HK$236,557,000 as compared with the loss of HK$220,247,000 for 2006.

NON-CURRENT ASSETS

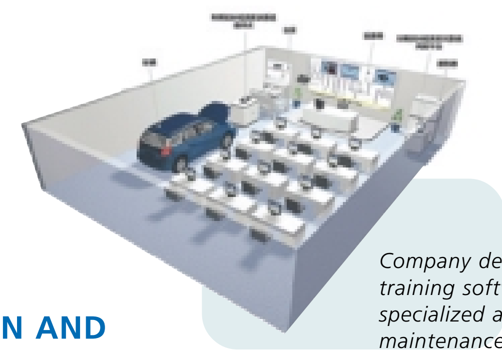
As at 31 December 2007, the Group had non-current assets of HK$1,190,060,000, of which HK$1,142,481,000 was goodwill. Goodwill arising on the acquisition of Full Trump in 2007 amounted to HK$1,063,775,000.

CURRENT ASSETS

As at 31 December 2007, the Group had current assets of HK$384,545,000, representing an increase of 3.7 times of HK$81,375,000 for 2006. The increase was mainly a result of the increase in cash from the two share placements carried out by the Company during the year.

CURRENT LIABILITIES

As at 31 December 2007, the Group had current liabilities of HK$107,891,000, increased by HK$80,280,000 as compared with HK$27,611,000 as at 31 December 2006. The increase in current liabilities was due to the fact that the Run Tong Group's distributable profit as at 30 June 2007 was owned by the vendor, being Mr. Li Kecheng. Such profit became current liabilities as it remained undistributed.



Company developed training software of specialized auto maintenance and repairs.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND HEDGING ACTIVITIES

As the Group operates in China and substantially all of its business transactions, assets and liabilities are denominated in Renminbi, the exchange rate risk of the Group is considered minimal and no hedging activities have been conducted.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHANG Honghai, aged 54, is awarded with the honour of senior economist and is currently the vice president of the Beijing Chinese Overseas Friendship Association. He is also an executive director of Beijing Development and an executive director, the vice chairman of its board of directors and the chief executive officer of Beijing Enterprises. Mr. Zhang graduated from Peking University in 1982 and subsequently obtained a post-graduate qualification in business studies at The International Business School of Hunan University, with a master's degree in Management. He also obtained an Executive Master of Business Administration degree from Peking University in 2007. Mr. Zhang has worked for the Beijing Municipal Government for many years and was the director of the Foreign Affairs Office of the People's Government of Beijing Municipality and Hong Kong and Macao Affairs Office of the People's Government of Beijing Municipality. Mr. Zhang worked as deputy general manager and was then promoted to vice chairman and general manager of Beijing International Trust Investment Limited during the period from 1990 to 1998. Mr. Zhang served as an executive director and the Chairman of the Board of the Company during the period from 30 August 2004 to 14 March 2006. Mr. Zhang has extensive experience in corporate management. Mr. Zhang joined the Group in 11 February 2008.

Mr. WANG Zhenyu, aged 38, chief executive officer, was graduated from Peking University with a degree of Executive Master of Business Administration (EMBA) in 2006 and from Chinese People University with a Bachelor's Degree in finance in 1993. Mr. Wang is the director of Huayuan Run Tong (Beijing) Sci-Tech Co. Ltd., and General Manager of Huayuan Kai Tuo (Beijing) Sci-Tech Co. Ltd.. He is also the Chairman of China INSOnlineCorp, which has been listed on the Over The-Counter Bulletin Board of NASDAQ since December 2007. He has about 15 years of experiences in telecommunication, software development and information technology. Mr. Wang joined the Group in 13 September 2007.

Mr. E Meng, aged 49, is the executive director and vice president of Beijing Enterprises, the executive director and Chairman of Beijing Development and the independent non-executive director of Macro-Link International Holdings Limited (stock code: 472) and executive director of Beijing Enterprises. Mr. E graduated from China Science and Technology University with a master's degree in engineering, and is a PRC senior accountant with the qualifications of PRC certified accountant, asset appraiser, certified real estate appraiser and tax appraiser. From 1988 to 1997, Mr. E was the deputy director of Beijing New Technology Development Zone ("BNTDZ"), the director for BNTDZ Department of Finance Auditing and State Asset Management, the manager of BNTDZ Investment Operation Company, the director of Beijing Tianping Accounting Firm and the deputy director of the State Asset Management Office of Beijing Haidian District. Mr. E has over 17 years' experience in economics, finance and enterprise management. Mr. E joined the Group in August 2004.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LI Kangying, aged 51, was the chairman of the Board of Directors and resigned as chairman on 11 February 2008. He is also the executive director and president of Beijing Development. Mr. Li graduated from North China University of Electric Power majoring in telecommunications and is a qualified engineer in the PRC. He was a university lecturer and a member of the governmental research institute and has been responsible for the management and operational affairs in the technological field for the past decade. Mr. Li joined the Group in August 2004.

Dr. YU Xiaoyang, aged 53, was graduated from Peking University with a Bachelor's degree in Philosophy in 1982 and a Master's degree in Philosophy in 1984. Dr. Yu earned his Ph.D. and MBA degrees from Southern Illinois University, USA, in 1991 and 1993. Dr. Yu worked for international consulting and telecommunication corporations in software system development and information technology management for 12 years, and worked for Chinese high tech corporations as an executive director and the vice president over three years. Dr. Yu was the executive director of Beijing Development from March 2005 to February 2008. Dr. Yu joined the Group in 13 September 2007.

Mr. YAN Qing, aged 46, is the vice president of Beijing Development. Mr. Yan graduated from The First Branch Campus of Renmin University of China in 1985 with a bachelor's degree in Business. He also obtained a master's degree in Business Administration from University of South Australia in 2005 and he has over 17 years of experience in finance and management. Mr. Yan joined the Group in January 2005.

Mr. ZHANG Zhihong, aged 41, was graduated from Institute of Communication Engineering of People's Liberation Army with a Bachelor's degree in Computer Science in 1988 and from Nanyang Technological University, Singapore with a Master's degree in Business Administration in 2006. Mr. Zhang has the marketing and management experiences in the telecommunication corporations in software system development and information technology management for 13 years. Mr. Zhang joined Group in 13 September 2007.

Mr. CAO Wei, aged 44, is the executive director and vice president of Beijing Development. Mr. Cao graduated from Harbin Industrial University and has over 17 years' experience in the telecommunications and information technology field. Mr. Cao joined the Group in August 2004.

Mr. WANG Dongbin, aged 40, graduated from Tsinghua University in 1992 with a master's degree in Applied Physics. Mr. Wang has over 15 years' experience in the telecommunications and information technology field and he joined the Group in August 2004 and resigned on 8 November 2007.

Mr. NG Kong Fat, Brian, aged 52, is the executive director of Beijing Development. Mr. Ng graduated from the University of Stirling in Scotland in 1983 and is a member of the Institute of Chartered Accountants of Scotland. Mr. Ng has over 21 years' experience in corporate, investment and financial management. He joined the Group in August 2004 and resigned on 13 September 2007.

Ms. CHEN Zhi, aged 36, graduated from Fudan University, Shanghai in 1992. Ms. Chen has over 12 years of experience in marketing, financial, corporate and human resources management in the information technology field in the PRC and Canada. She joined the Group in August 2004 and resigned on 13 September 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. MA Yuhua, aged 59, graduated from Beijing Financial College. Ms. Ma was the general manager of Beijing International Trust and Investment Co., Ltd. and the president of Guodu Securities Company Limited. Ms. Ma has over 30 years' extensive experiences in financial management and investment and she is currently the chief controller of Guodu Securities Company Limited. Ms. Ma joined the Group in December 2004.

Ms. LIANG Yeping, aged 59, graduated from China Communist Party's School and School of Economics and Management of Tsinghua University. Ms. Liang is currently the chairman of 北京市管理科學院, a senior consultant and lecturer of 北京格魯管理培訓有限公司 and a council member of the China Enterprise Directors Association. Ms. Liang was the president of various companies such as China Xingfa Group Co., Ltd., Beijing Guoxinan IC Design Co., Ltd., Nanjing Jiangning Digital Harbor Co., Ltd., etc. in which she has accumulated extensive experiences in operation, management and information technology. Ms. Liang joined the Group in December 2004.

Dr. ZHOU Chunsheng, aged 41, was graduated from Princeton University, USA, with a doctoral degree in Economics major in Economics and Finance. He was an economist for Federal Reserve of the United States, an officer of China Securities Regulation Commission, Associate Professor of School of Business of Hong Kong University, Professor of Peking University and a member of Listing Committee of Shenzhen Stock Exchange. He is currently a Professor of Cheung Kong Graduate School of Business. He is also Independent Non-executive Director of Daqin Railway Co., Ltd., which is listed on Shanghai Stock Exchange, since October 2004, Centennial Brilliance Science & Technology Co., Ltd., which is listed on Shenzhen Stock Exchange, since August 2007, Sinopec Shengli Oil Field Dynamic Group Co., Ltd., which was previously listed on Shenzhen Stock Exchange, from June 2002 to May 2006 and Chengdu Xuguang Electronics Co., Ltd., which is listed on Shanghai Stock Exchange, since May 2003 to March 2006. Dr. Zhou has much experience on financial management and research in listed companies. Dr. Zhou joined the Group in 13 September 2007.

Mr. JIANG Qiping, aged 45, graduated from Tianjin Nan Kai University in 1984. Mr. Jiang is currently the general secretary of the Information Research Centre of Chinese Academy of Social Sciences and is responsible for the research and development on information integration standard for the government, enterprises, manufacturers, e-business, e-government, etc. In 1999, Mr. Jiang was awarded with the "Man of the Time" and the "10 Most Outstanding Internet Persons of the Year" by Beijing Youth Newspaper. Mr. Jiang is also one of the IT commentators and an honorary chief editor of China Internet Weekly magazine and has several publications on information technology such as《信息化測算的理論與方法》、《數字財富》and《新商業模型》etc. Mr. Jiang joined the Group in December 2004 and Mr. Jiang resigned in 13 September 2007.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. WU Zhaohui, aged 41, is the general manager of Huayuan Run Tong. Mr. Wu graduated from Electronic Engineering Department of Fudan University and had served as company chief engineer, vice general manager and general manager of 深圳市万立通信息發展有限公司 since 1993. After 2002, he served in VYYO INC., the United States and 新傳國際（北京）文化傳播有限公司. Mr. Wu has over 10 year experience in operation and management of large-sized communication and software companies. Mr. Wu joined Run Tong in March 2007.

Mr. LI Jicheng, aged 43, is the chief executive of VST. He graduated from Tianjin University with a bachelor's degree and obtained a master's degree in 1988. Mr. Li was a university lecturer and has over 15 years of experience in project management and information technology. Mr. Li joined the Group in August 2004.

Ms. ZHENG Shaohua, aged 51, is the general manager of Sanxing. Ms. Zheng graduated from Beihang University in 1983. She has over 20 years of experience in project management and information technology. Ms. Zheng joined the Group in August 2004.

Mr. PENG Wensheng, aged 39, is the chairman of Shanghai Pantosoft. Mr. Peng graduated from the Engineering Faculty of Nanjing University of Science & Technology in 1987 with a bachelor degree in Science. He also obtained a master degree in Science in Huazhong University of Technology in 1994. He joined the Group in December 2002.

Mr. LIU Feng, aged 40, is the general manager of Xteam Network. Mr. Liu graduated from 南京郵電學院 with a bachelor degree in 1990. Mr. Liu has over 10 years experience in telecommunication industry.

Ms. NG Weng Sin, aged 36, is the financial controller and company secretary of the Company. Ms. Ng graduated from the Hong Kong Polytechnic University with a bachelor's degree in Accountancy. She is a member of the Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants, Ms. Ng has over 10 years' experience in auditing, accounting and finance in an international accounting firm and listed companies. She joined the Group in May 2006.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 28 December 2007 and approved by Registrar of Companies of Cayman Islands and the Registrars of Companies of Hong Kong, the name of the Company was changed from Xteam Software International Limited to China Information Technology Development Limited. The Company changed its Chinese name from 衝浪平台軟件國際有限公司 to 中國信息科技發展有限公司 which is part of its legal name.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 105.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 106. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 27, 28 and 25 to the financial statements, respectively.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves including the share premium account, available for cash distribution and/or distribution in specie, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$1,124,544,000. Under the laws of the Cayman Islands, a company may make distributions to its members out of the share premium account under certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 53% of the total sales for the year and sales to the largest customer included therein amounted to 13%. Purchases from the Group's five largest suppliers accounted for 40% of the total purchases for the year and purchases from the largest supplier included therein amounted to 12%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Zhang Honghai	(appointed on 11 February 2008)
Mr. Wang Zhenyu	(appointed on 13 September 2007)
Mr. E Meng	
Mr. Li Kangying	
Dr. Yu Xiaoyang	(appointed on 13 September 2007)
Mr. Yan Qing	
Mr. Zhang Zhihong	(appointed on 13 September 2007)
Mr. Cao Wei	
Mr. Wang Dongbin	(resigned on 8 November 2007)
Mr. Ng Kong Fat, Brian	(resigned on 13 September 2007)
Ms. Chen Zhi	(resigned on 13 September 2007)

Independent non-executive directors:

Ms. Ma Yuhua	
Ms. Liang Yeping	
Dr. Zhou Chunsheng	(appointed on 13 September 2007)
Mr. Jiang Qiping	(resigned on 13 September 2007)

In accordance with articles 86(3), 87(1) and 87(2) of the Company's articles of association, one-third of the directors shall retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Ms. Ma Yuhua, Ms. Liang Yeping, Mr. Jiang Qiping, and Dr. Zhou Chunsheng, and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee. Further details of the Company's remuneration committee are set out in the corporate governance report on pages 22 to 25 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(1) Long positions in ordinary shares of the Company:

Name of director	Number of shares held	Capacity and nature of interest	Percentage of the Company's issued share capital
Dr. Zhou Chunsheng	600,000	Directly beneficially owned	0.01%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

(2) Long positions in shares of associated corporations:

Name of director	Name of associated corporation	Relationship with the Company	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Cao Wei	Beijing Development (Hong Kong) Limited ("Beijing Development")	Company's substantial shareholder	190,000	Directly beneficially owned	0.03%
Mr. Li Kangying	Beijing Development	Company's substantial shareholder	304,000	Directly beneficially owned	0.04%
Dr. Yu Xiaoyang	Beijing Development	Company's substantial shareholder	500,000	Directly beneficially owned	0.07%
Mr. E Meng	Beijing Development	Company's substantial shareholder	601,000	Directly beneficially owned	0.09%
Mr. E Meng	Beijing Enterprises Holdings Limited	Company's substantial shareholder	28,000	Directly beneficially owned	0.01%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

(3) Interests in underlying shares of associated corporations:

At 31 December 2007, the interests of directors in options to subscribe for shares of Beijing Development, under the share option scheme of Beijing Development were as follows:

	Number of options held	
Name of director	*Note (a)*	*Note (b)*
Mr. Zhang Honghai	3,400,000	6,800,000
Mr. Li Kangying	–	4,500,000
Mr. Cao Wei	–	4,000,000
Mr. E Meng	–	4,500,000
Mr. Yan Qing	–	3,200,000
Dr. Yu Xiaoyang	2,300,000	–

Notes:

(a) These options were granted on 27 June 2006 at an exercise price of HK$1.00 per share. The options may be exercised at any time commencing on 27 June 2006 and, if not otherwise exercised, will lapse on 17 June 2011.

(b) These share options were granted on 30 October 2007 at an exercise price of HK$4.03 per share. The share options may be exercised in two equal portions. The first portion is exercisable at any time commencing on 1 May 2008, and the other portion is exercisable from 1 May 2009 and if not otherwise exercised, will lapse on 17 June 2011.

In addition to the above, Mr. Li Kangying has a non-beneficial personal equity interest in a subsidiary held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

The interests of the directors in the share options of the Company are separately disclosed in note 28 to the financial statements.

Save as disclosed above, as at 31 December 2007, none of the directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 28 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Beijing Development	*(a)*	Through controlled corporations	1,895,513,445	30.41
Beijing Enterprises Holdings Limited	*(b)*	Through controlled corporations	1,895,513,445	30.41
Beijing Enterprises Investments Limited	*(c)*	Through controlled corporations	1,895,513,445	30.41
Beijing Enterprises Group Company Limited	*(d)*	Through controlled corporations	1,895,513,445	30.41
Mr. Li Kecheng		Directly beneficially owned	1,560,000,000	25.02

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long positions in ordinary shares of the Company: *(Continued)*

Notes:

(a) Beijing Development was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Prime Technology Group Limited and E-tron Limited.

(b) Beijing Enterprises Holdings Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Beijing Development.

(c) Beijing Enterprises Investments Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Beijing Enterprises Holdings Limited.

(d) Beijing Enterprises Group Company Limited was deemed to be interested in the 1,895,513,445 shares by virtue of its controlling interests in Beijing Enterprises Investments Limited and Beijing Enterprises Holdings Limited.

Save as disclosed above, as at 31 December 2007, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTION

Certain subsidiaries of the Company entered into subcontracting service contracts with subsidiaries of Beijing Development. The Group received service income amounting to HK$22,966,000 during the year.

COMPETING INTERESTS

During the year under review, none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 22 to 25.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Zhang Honghai
Chairman

Hong Kong
27 March 2008

CORPORATE GOVERNANCE REPORT

CODE OF CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES

The Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules for the year ended 31 December 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the directors throughout the year ended 31 December 2007.

BOARD OF DIRECTORS AND BOARD MEETING

The board of directors, which currently comprises eleven directors, is responsible for corporate strategy, annual, interim and quarterly results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the board of directors to the management include the preparation of annual, interim and quarterly accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the board of directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other directors are set out on pages 9 and 11. All directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Mr. Li Kangying is the chairman of the board of directors and an executive director during the year. Mr. Wang Zhenyu was appointed as an executive director and the Chief executive officer of the Company on 13 September 2007 after the resignation of Mr. Wang Dongbin. There is no relationship among the members of the board of directors.

The Company appointed three independent non-executive directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Ms. Ma Yuhua and Ms. Liang Yeping are the independent non-executive directors during the year. Dr. Zhou Chunsheng was appointed as the non-executive directors after resignation of Mr. Jiang Qiping. The Company has not entered into service contracts with the independent non-executive directors. They do not have specific length of service and are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

The board of directors held a regular board meeting for each quarter. Apart from the above regular board meetings of the year, the board of directors will meet on other occasions when a board-level decision on a particular matter is required. The directors will receive details of agenda items for decision in advance of each board meeting.

In 2007, four regular board meetings were held. The directors' attendance at board meetings during the year is set out below:

	Attendance/ No. of meetings held
Executive directors:	
Mr. Li Kang Ying *(Chairman)*[#]	4/4
Mr. Wang Zhenyu *(Chief executive officer)*[##]	1/1
Dr. Yu Xiaoyang[##]	1/1
Mr. Yan Qing	4/4
Mr. Zhang Zhihong[##]	1/1
Mr. E Meng	4/4
Mr. Cao Wei	4/4
Mr. Wang Dongbin*	3/3
Mr. Ng Kong Fat, Brian**	3/3
Mr. Chen Zhi**	3/3
Independent non-executive directors:	
Ms. Ma Yuhua	4/4
Ms. Liang Yeping	4/4
Dr. Zhou Chunsheng[##]	1/1
Mr. Jiang Qiping**	3/3

[#] Mr. Li Kangying resigned and Mr. Zhang Honghei was appointed as Chairman of the board of directors on 11 February 2008.

[##] Mr. Wang Zhenyu, Dr. Yu Xiaoyang, Mr. Zhang Zhihong and Dr. Zhou Chunsheng are appointed on 13 September 2007 and there was one board meeting held on or after 13 September 2007.

* Mr. Wang Dongbin resigned on 8 November 2007 and was only entitled to attend three board meetings.

** Mr. Ng Kong Fat, Brian, Mr. Chen Zhi and Jiang Qiping resigned on 13 September 2007 and were only entitled to attend three board meetings.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

The Remuneration Committee was established in March 2006 and the members are:

Ms. Ma Yuhua *(Committee Chairman)*	
Ms. Liang Yeping	
Dr. Zhou Chunsheng	(appointed on 13 September 2007)
Mr. Jiang Qiping	(resigned on 13 September 2007)
Mr. Li Kangying	(resigned on 11 February 2008)
Mr. Zhang Honghai	(appointed on 11 February 2008)

The majority of the Remuneration Committee members are Independent Non-executive Directors. The Remuneration Committee advises the Board on the Company's overall policy and structure for the remuneration of Directors and senior management of the Company. The Remuneration Committee ensures that no director of the Company or any of his associate is involved in deciding his own remuneration.

In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, and employment conditions elsewhere in the Group. The Remuneration Committee meets regularly to determine the policy for the remuneration of Directors and assess performance of Executive Directors and certain senior management of the Company.

During the year ended 31 December 2007, two Remuneration Committee meetings were held and the individual attendance of each member is set out below:

Name of member	**Attendance/ Number of meetings held**
Ms. Ma Yuhua	2/2
Ms. Liang Yeping	2/2
Dr. Zhou Chunseng#	0/1
Mr. Jiang Qiping##	1/1
Mr. Li Kangying	2/2

\# Dr. Zhou Chunseng was appointed on 13 September 2007 and one Remuneration Committee meeting was held.

\## Mr. Jiang Qiping resigned on 13 September 2007 and one Remuneration Committee meeting was held.

NOMINATION OF DIRECTORS

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

NOMINATION OF DIRECTORS *(Continued)*

On 11 February 2008, the board has nominated Mr. Zhang Honghai as Chairman of the Board of the Company. On 13 September 2007, the board has nominated Mr. Wang Zhenyu as executive director and chief executive officer of the Company and Dr. Yu Xiaoyang and Mr. Zhang Zhihong as executive directors of the Company.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, including Ms. Ma Yuhua, Ms. Liang Yeping and Dr. Zhou Chunsheng. All of them are independent non-executive directors. The chairman of the audit committee is Ms. Ma Yuhua.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	**Attendance**
Ms. Ma Yuhua	4/4
Ms. Liang Yeping	4/4
Mr. Jiang Qiping*	3/3
Dr. Zhou Chunsheng*	1/1

* Mr. Jiang Qiping resigned on 13 September 2007 and was only entitled to attend three meetings. Dr. Zhou Chunsheng was appointed on 13 September 2007 and was only entitled to attend one meeting.

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group paid an aggregate of approximately HK$4,075,000 to the external auditors (of which HK$4,004,000 has paid to Ernst & Young, and HK$71,000 was paid to the PRC auditors) for their services in audit. There was no significant non-audit service assignment undertaken by auditors during the year.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure the effective and adequate internal control system. The Company convened meetings periodically to discuss financial, operational and risk management control. The audit committee also reviewed the internal control systems and evaluated their adequacy, effectiveness and compliance on a regular basis.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永會計師事務所

To the shareholders of
China Information Technology Development Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of China Information Technology Development Limited set out on pages 28 to 105, 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 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong
27 March 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**135,814**	42,075
Cost of sales and services		**(49,963)**	(18,645)
Gross profit		**85,851**	23,430
Other income and gains	5	**5,956**	1,923
Selling and distribution costs		**(10,681)**	(8,532)
Administrative expenses		**(57,917)**	(22,837)
Other expenses		**(481)**	(2,964)
Impairment of goodwill	15	**–**	(210,759)
Finance costs	7	**(2,728)**	(558)
PROFIT/(LOSS) BEFORE TAX	6	**20,000**	(220,297)
Tax	10	**(3,947)**	(2,066)
PROFIT/(LOSS) FOR THE YEAR		**16,053**	(222,363)
Attributable to:			
Equity holders of the Company	11	**16,310**	(220,247)
Minority interests		**(257)**	(2,116)
		16,053	(222,363)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
– Basic		**HK 0.33 cents**	HK (5.73) cents
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**15,370**	4,883
Goodwill	15	**1,142,481**	78,706
Other intangible assets	16	**5,322**	3,040
Prepayments	19	**26,887**	–
Total non-current assets		**1,190,060**	86,629
CURRENT ASSETS			
Inventories	17	**3,001**	3,726
Trade receivables	18	**96,480**	29,642
Prepayments, deposits and other receivables	19	**40,709**	8,352
Financial assets designated at fair value through profit or loss	20	**8,547**	–
Cash and bank balances	21	**235,808**	39,655
Total current assets		**384,545**	81,375
CURRENT LIABILITIES			
Trade payables	22	**6,045**	3,500
Other payables and accruals	23	**23,867**	9,109
Due to holding company	24	**–**	12,913
Due to shareholders	24	**68,816**	–
Tax payable		**9,163**	2,089
Total current liabilities		**107,891**	27,611
NET CURRENT ASSETS		**276,654**	53,764
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,466,714**	140,393
NON-CURRENT LIABILITIES			
Convertible bonds	25	**177,493**	–
Net assets		**1,289,221**	140,393
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	27	**62,339**	38,426
Reserves	29(a)	**1,214,080**	91,601
		1,276,419	130,027
Minority interests		**12,802**	10,366
Total equity		**1,289,221**	140,393

Zhang Honghai
Director

Wang Zhenyu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

		Attributable to equity holders of the Company									
		Issued share capital	**Share premium account**	**Equity component of convertible bonds**	**Share option reserve**	**PRC reserve funds**	**Exchange fluctuation reserve**	**Retained profits/ (accumulated losses)**	**Total**	**Minority interests**	**Total equity**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006		38,426	337,250	–	–	1,604	1,385	(30,744)	347,921	12,969	360,890
Exchange realignment		–	–	–	–	–	2,353	–	2,353	328	2,681
Loss for the year		–	–	–	–	–	–	(220,247)	(220,247)	(2,116)	(222,363)
Total income and expense for the year		–	–	–	–	–	2,353	(220,247)	(217,894)	(1,788)	(219,682)
Transfer to PRC reserve funds		–	–	–	–	1,739	–	(1,739)	–	–	–
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	(815)	(815)
At 31 December 2006 and 1 January 2007		38,426	337,250*	–	–	3,343*	3,738*	(252,730)*	130,027	10,366	140,393
Exchange realignment		–	–	–	–	–	7,455	–	7,455	917	8,372
Profit for the year		–	–	–	–	–	–	16,310	16,310	(257)	16,053
Total income and expense for the year		–	–	–	–	–	7,455	16,310	23,765	660	24,425
Transfer to PRC reserve funds		–	–	–	–	15,760	–	(15,760)	–	–	–
Acquisition of subsidiaries	30	15,600	879,988	25,345	–	–	–	–	920,933	1,776	922,709
Issue of shares	27	8,313	175,632	–	(394)	–	–	–	183,551	–	183,551
Share issue expenses	27	–	(6,021)	–	–	–	–	–	(6,021)	–	(6,021)
Equity-settled share option arrangements	28	–	–	–	24,164	–	–	–	24,164	–	24,164
Transfer of accumulated losses		–	(258,677)	–	–	–	–	258,677	–	–	–
At 31 December 2007		**62,339**	**1,128,172***	**25,345***	**23,770***	**19,103***	**11,193***	**6,497***	**1,276,419**	**12,802**	**1,289,221**

* *These reserve accounts comprise the reserves of HK$1,214,080,000 (2006: HK$91,601,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**20,000**	(220,297)
Adjustments for:			
Bank interest income	*5*	**(3,587)**	(184)
Finance costs	*7*	**2,728**	558
Loss on disposal of items of property, plant and equipment	*6*	**27**	73
Amortisation of other intangible assets	*6*	**1,143**	844
Depreciation	*6*	**2,054**	1,347
Impairment of goodwill	*15*	**–**	210,759
Equity-settled share option expense	28	**24,164**	–
		46,529	(6,900)
Decrease/(increase) in inventories		**953**	(863)
Decrease/(increase) in trade receivables		**(18,672)**	19,198
Decrease/(increase) in prepayments, deposits and other receivables		**(8,852)**	448
Increase in financial assets designated at fair value through profit or loss		**(8,547)**	–
Increase/(decrease) in trade payables		**1,875**	(239)
Increase/(decrease) in other payables and accruals		**4,800**	(1,014)
Cash generated from operations		**18,086**	10,630
Interest paid		**(136)**	–
Mainland China tax paid		**(1,762)**	(248)
Net cash inflow from operating activities		**16,188**	10,382
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,587**	184
Proceeds from disposal of items of property, plant and equipment		**21**	101
Purchases of items of property, plant and equipment	*13*	**(6,716)**	(2,169)
Additions to other intangible assets	*16*	**(3,229)**	(1,639)
Acquisition of subsidiaries	*30*	**10,816**	–
Net cash inflow/(outflow) from investing activities		**4,479**	(3,523)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Year ended 31 December 2007

	Notes	**2007**	2006
		HK$'000	HK$'000
Net cash inflow/(outflow) from investing activities		**4,479**	(3,523)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27	**183,551**	–
Share issue expenses	27	**(6,021)**	–
Increase in amounts due to shareholders		**3,093**	–
Increase/(decrease) in an amount due to holding company		**(12,913)**	174
Dividends paid to minority shareholders		**–**	(815)
Net cash inflow/(outflow) from financing activities		**167,710**	(641)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**188,377**	6,218
Cash and cash equivalents at beginning of year		**39,655**	30,949
Effect of foreign exchange rate changes, net		**7,776**	2,488
CASH AND CASH EQUIVALENTS AT END OF YEAR		**235,808**	39,655
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**131,672**	39,655
Non-pledged time deposits with original maturity of less than three months when acquired	21	**104,136**	–
		235,808	39,655

BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	14	**1,224,916**	136,597
Other intangible assets	16	**3,121**	–
Total non-current assets		**1,228,037**	136,597
CURRENT ASSETS			
Prepayments, deposits and other receivables	19	**1,592**	1,537
Cash and bank balances	21	**143,120**	513
Total current assets		**144,712**	2,050
CURRENT LIABILITIES			
Other payables and accruals	23	**2,748**	837
Due to a subsidiary	24	**5,625**	5,631
Due to holding company	24	**–**	12,913
Total current liabilities		**8,373**	19,381
NET CURRENT ASSETS/(LIABILITIES)		**136,339**	(17,331)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,364,376**	119,266
NON-CURRENT LIABILITIES			
Convertible bonds	25	**177,493**	–
Net assets		**1,186,883**	119,266
EQUITY			
Issued capital	27	**62,339**	38,426
Reserves	29(b)	**1,124,544**	80,840
Total equity		**1,186,883**	119,266

Zhang Honghai
Director

Wang Zhenyu
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2007

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Room 3401, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

During the year, the Group principally engaged in the development and sale of computer software and hardware, the provision of system integration and related support services and the provision of internet and telecommunication value-added services in Mainland China.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the financial assets designated at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivative*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

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

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 35 to the financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees in accordance with the Group's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS1 (Revised)	*Presentation of Financial Statements* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions* [2]
HK(IFRIC)-Int 12	*Service Concession Arrangements* [4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* [4]

[1] *Effective for annual periods beginning on or after 1 January 2009*

[2] *Effective for annual periods beginning on or after 1 March 2007*

[3] *Effective for annual periods beginning on or after 1 July 2008*

[4] *Effective for annual periods beginning on or after 1 January 2008*

HKAS 1 has been revised to introduce changes in presentation and disclosures of financial statements and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. The Group expects to adopt HKAS 23 (Revised) from 1 January 2009 but this standard is currently not applicable as there are no bank or other borrowings obtained by the Group that are directly attributable to the acquisition, construction or production of a qualifying asset.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the group's current policy for share-based payment transactions aligns with the requirements of the interpretation, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Furniture, fixtures and equipment	18% – 20%
Motor vehicles	10% – 20%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Golf club membership, computer software and trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 20 years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding two years, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables and an amount due to holding company, are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress, comprises direct materials, subcontracting charges and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, 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, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes-Merton option pricing model, further details of which are given in note 28 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) from the rendering of services, when the relevant services have been rendered; and

(iii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Recognition of telecommunication value-added service

For certain telecommunication service fees not yet confirmed by the mobile phone and internet operators at the time of reporting the financial results of the Company, management of the Company estimates the income and trade receivables based on historical data. As at 31 December 2007, the balances of the trade receivables due from the mobile phone and internet operators, which had not been confirmed, were estimated at HK$1,121,000 (2006: Nil).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was HK$1,142,481,000 (2006: HK$78,706,000), details of which are set out in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimation of fair values of equity-settled share options and consideration shares issued for the acquisition of subsidiaries

The fair value of the equity-settled share options granted during the year and consideration shares issued by the Company for the acquisition of subsidiaries are determined by management based on the valuation performed by independent qualified valuers using the Black-Scholes-Merton option pricing model. The model is built by reputable scholars and are widely used in the market. The expected life of the options is estimated by the management based on (i) the length of the vesting period; (ii) the share price of the Company; (iii) the level of the option holders within the organisation; and (iv) the expected volatility of the Company's shares.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's customers and operations are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the software development and system integration segment engages in (i) the provision of software development services; (ii) the provision of system integration services; and (iii) the provision of technical support and maintenance services;

(b) the internet, mobile and telecommunication segment engages in the provision of internet, mobile and telecommunication value-added services;

(c) the in-house developed products segment engages in the sale and leasing of in-house developed computer hardware; and

(d) the corporate segment comprises corporate income and expense items.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(Continued)*

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group

	Software development and system integration		Internet, mobile and telecommunication		In-house developed products		Elimination		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**102,698**	42,000	**29,369**	–	**3,747**	75	**–**	–	**135,814**	42,075
Intersegment sales	**–**	–	**–**	–	**–**	1,526	**–**	(1,526)	**–**	–
Other income and gains	**2,256**	1,740	**–**	–	**108**	–	**–**	–	**2,364**	1,740
Total	**104,954**	43,740	**29,369**	–	**3,855**	1,601	**–**	(1,526)	**138,178**	43,815
Segment results	**35,194**	5,491	**25,714**	–	**(4,616)**	(6,183)	**–**	–	**56,292**	(692)
Bank interest income and unallocated gains									**3,592**	184
Unallocated corporate expenses, net									**(37,156)**	(8,472)
Impairment of goodwill	**–**	(210,759)	**–**	–	**–**	–	**–**	–	**–**	(210,759)
Finance costs									**(2,728)**	(558)
Profit/(loss) before tax									**20,000**	(220,297)
Tax									**(3,947)**	(2,066)
Profit/(loss) for the year									**16,053**	(222,363)

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Group

	Software development and system integration		Internet, mobile and telecommunication		In-house developed products		Corporate		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities										
Segment assets	**233,440**	143,028	**100,176**	–	**16,824**	10,567	**149,666**	11,397	**500,106**	164,992
Unallocated assets									**1,074,499**	3,012
Total assets									**1,574,605**	168,004
Segment liabilities	**(43,404)**	(6,840)	**(49,169)**	–	**(1,831)**	(1,899)	**(2,419)**	(388)	**(96,823)**	(9,127)
Unallocated liabilities									**(188,561)**	(18,484)
Total liabilities									**(285,384)**	(27,611)
Other segment information:										
Depreciation	**1,478**	1,049	**126**	–	**324**	191	**126**	107	**2,054**	1,347
Amortisation of other intangible assets	**52**	49	**–**	–	**983**	795	**108**	–	**1,143**	844
Impairment of trade receivables recognised in the income statement	**151**	240	**–**	–	**285**	–	**–**	–	**436**	240
Capital expenditure	**6,192**	1,389	**–**	–	**287**	2,417	**3,466**	2	**9,945**	3,808

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sale of computer software and hardware	**3,747**	75
Provision of software development and system integration services	**78,091**	25,513
Provision of technical support and maintenance services	**21,469**	16,487
Provision of internet, mobile and telecommunication value-added services	**32,507**	–
	135,814	42,075

	Group	
	2007	2006
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**3,587**	184
PRC tax subsidy	**2,364**	1,739
Others	**5**	–
	5,956	1,923

6. PROFIT/(LOSS) BEFORE TAX

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

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Cost of inventories sold		**2,381**	8,329
Cost of services provided		**47,582**	10,316
Depreciation	*13*	**2,054**	1,347
Amortisation of other intangible assets*	*16*	**1,143**	844
Minimum lease payments under operating leases in respect of land and buildings		**4,511**	2,936
Auditors' remuneration		**2,207**	844
Employee benefits expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**24,944**	18,220
Pension scheme contributions		**1,498**	679
Equity-settled share option expense		**24,164**	–
		50,606	18,899
Foreign exchange differences, net		**14**	133
Impairment of trade receivables@		**436**	240
Write-off of trade and other receivables@		**–**	2,519
Loss on disposal of items of property, plant and equipment		**27**	73

* *The amortisation of other intangible assets is included in "Selling and distribution costs", "Cost of sales and services" and "Administrative expenses" on the face of the consolidated income statement.*

@ *The amounts are included in "Other expenses" on the face of the consolidated income statement.*

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on loans from holding company	**136**	558
Interest on convertible bonds *(note 25)*	**2,592**	–
	2,728	558

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**790**	340
Other emoluments:		
Salaries, allowances and benefits in kind	**3,102**	327
Employee share option benefits	**16,199**	–
Pension scheme contributions	**–**	15
	20,091	682

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

	Fees	Employee share option benefits	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
2007			
Ms. Ma Yuhua	**100**	**265**	**365**
Ms. Liang Yeping	**100**	**265**	**365**
Mr. Zhou Chunsheng	**30**	**265**	**295**
Mr. Jiang Qiping	**70**	**–**	**70**
	300	**795**	**1,095**
2006			
Ms. Ma Yuhua	100	–	100
Ms. Liang Yeping	100	–	100
Mr. Jiang Qiping	100	–	100
	300	–	300

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Employee share option benefits	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007					
Mr. Wang Zhenyu	**30**	**240**	**2,314**	**–**	**2,584**
Mr. E Meng	**100**	**320**	**2,142**	**–**	**2,562**
Mr. Cao Wei	**100**	**1,017**	**2,142**	**–**	**3,259**
Mr. Li Kangying	**100**	**200**	**2,380**	**–**	**2,680**
Dr. Yu Xiaoyang	**30**	**150**	**2,142**	**–**	**2,322**
Mr. Zhong Zhihong	**30**	**150**	**2,142**	**–**	**2,322**
Mr. Yan Qing	**100**	**224**	**2,142**	**–**	**2,466**
Mr. Wang Dongbin	**–**	**801**	**–**	**–**	**801**
	490	**3,102**	**15,404**	**–**	**18,996**
2006					
Mr. Yan Qing	–	327	–	15	342
Mr. Ma Gary Ming Fai	40	–	–	–	40
	40	327	–	15	382

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include four directors (2006: Nil), details of whose remuneration are set out in note 8 above. Details of the remuneration of the non-director, highest paid employee for the year are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**549**	2,332
Employee share option benefits	**2,142**	–
Pension scheme contributions	**10**	49
	2,701	2,381

The number of non-director, highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**–**	5
HK$2,000,000 to HK$3,000,000	**1**	–
	1	5

During the year, share options were granted to the non-director, highest paid employee in respect of her services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's PRC subsidiaries enjoy income tax exemptions and reductions. Certain PRC subsidiaries are subject to income tax rates ranging from 0% to 15%.

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the year	**4,290**	2,066
Overprovision in prior years	**(343)**	–
Total tax charge for the year	**3,947**	2,066

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the locations in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group – 2007

	Hong Kong		**Mainland China**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Profit/(loss) before tax	**(36,229)**		**56,229**		**20,000**	
Tax at the statutory tax rate	**(6,340)**	**17.5**	**18,556**	**33.0**	**12,216**	**61.1**
Lower tax rate for specific provinces or local authority	**–**		**(14,665)**		**(14,665)**	
Income not subject to tax	**(551)**		**(184)**		**(735)**	
Expenses not deductible for tax	**6,891**		**394**		**7,285**	
Overprovision in prior years	**–**		**(343)**		**(343)**	
Tax losses not recognised	**–**		**189**		**189**	
Tax charge at the Group's effective rate	**–**		**3,947**		**3,947**	

10. TAX *(Continued)*

Group – 2006

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before tax	(216,846)		(3,451)		(220,297)	
Tax at the statutory tax rate	(37,948)	17.5	(1,139)	33.0	(39,087)	17.7
Lower tax rate for specific provinces or local authority	–		1,090		1,090	
Income not subject to tax	(8)		(226)		(234)	
Expenses not deductible for tax	37,956		2,093		40,049	
Tax losses not recognised	–		248		248	
Tax charge at the Group's effective rate	–		2,066		2,066	

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a loss of HK$55,010,000 (2006: HK$195,401,000) which has been dealt with in the financial statements of the Company *(note 29(b))*.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$16,310,000 (2006: loss of HK$220,247,000) and the weighted average number of 4,924,518,420 (2006: 3,842,606,368) ordinary shares in issue during the year.

A diluted earnings per share amount for the year ended 31 December 2007 has not been disclosed as the average share price of the Company for the year ended 31 December 2007 is lower than the exercise price of the share options outstanding during the year and the convertible bonds outstanding during the year had an anti-dilutive effect on the basic earnings per share.

A diluted loss per share amount for the year ended 31 December 2006 has not been disclosed as the share options outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2007				
At 1 January 2007, net of accumulated depreciation	168	3,138	1,577	4,883
Additions	1,636	4,057	1,023	6,716
Acquisition of subsidiaries *(note 30)*	777	1,580	3,098	5,455
Disposals	–	–	(48)	(48)
Depreciation provided during the year	(234)	(1,182)	(638)	(2,054)
Exchange realignment	27	226	165	418
At 31 December 2007, net of accumulated depreciation	2,374	7,819	5,177	15,370
At 31 December 2007:				
Cost	2,741	13,093	6,929	22,763
Accumulated depreciation	(367)	(5,274)	(1,752)	(7,393)
Net carrying amount	2,374	7,819	5,177	15,370

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2006				
At 1 January 2006, net of accumulated depreciation	213	2,277	1,597	4,087
Additions	–	1,834	335	2,169
Disposals	–	(149)	(25)	(174)
Depreciation provided during the year	(53)	(916)	(378)	(1,347)
Exchange realignment	8	92	48	148
At 31 December 2006, net of accumulated depreciation	168	3,138	1,577	4,883
At 31 December 2006:				
Cost	280	6,725	2,479	9,484
Accumulated depreciation	(112)	(3,587)	(902)	(4,601)
Net carrying amount	168	3,138	1,577	4,883

14. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,419,288**	318,860
Impairment#	**(206,517)**	(206,517)
	1,212,771	112,343
Due from subsidiaries	**68,002**	58,234
Impairment@	**(55,857)**	(33,980)
	12,145	24,254
	1,224,916	136,597

During the prior year, an impairment was recognised for certain unlisted investments with a carrying amount of HK$282,552,000 (before deducting the impairment loss) because the recoverable amounts of the assets exceed their carrying values. There was no change in the impairment account during the year.

@ An impairment was recognised for amounts due from certain subsidiaries with a carrying amount of HK$59,233,000 (before deducting the impairment loss) (2006: HK$33,980,000) because the relevant subsidiaries had suffered losses for years. An additional impairment loss of HK$21,877,000 has been recognised during the year.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

14. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Asren Holdings Limited ("Asren")	British Virgin Islands/ Hong Kong	US$200	**51**	51	Investment holding
Astoria Innovations Limited* ("Astoria")	British Virgin Islands/ Hong Kong	US$1,000	**68**	68	Investment holding
Beijing Enterprises Sanxing Information Technology Co., Ltd.[Δ]	PRC	RMB6,532,000	**68**	68	Development and sale of computer software and provision of system integration and related services
Beijing Enterprises VST Software Technology Co., Ltd.[Δ]	PRC	RMB20,000,000	**100**	100	Development and sale of computer software and provision of system integration and related services
Full Trump International Limited[@#] ("Full Trump")	British Virgin Islands/ Hong Kong	US$1	**100**	–	Investment holding

14. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Go Good Holdings Limited*	British Virgin Islands/ Hong Kong	US$100	**100**	100	Investment holding
Pantosoft International Limited	British Virgin Islands/ Hong Kong	US$100	**100**	100	Investment holding
Proud Stars Limited*	British Virgin Islands/ Hong Kong	US$100	**100**	–	Investment holding
Shanghai Pantosoft Company Limited$^{\Delta}$	PRC	HK$10,000,000	**100**	100	Development and sale of computer software and provision of system integration and related services
Snow Fair Company Limited*	British Virgin Islands/ Hong Kong	US$100	**100**	100	Investment holding
Surfing Platform Software International Limited*	British Virgin Islands/ Hong Kong	US$1,080,668	**100**	100	Investment holding

14. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Wisdom Elite Holdings Limited* ("Wisdom Elite")	British Virgin Islands/ Hong Kong	US$100	**100**	100	Investment holding
Xteam Network (Beijing) Co., Ltd.[Δ]	PRC	US$1,220,000	**51**	51	Development and sale of internet equipment and provision of related services
Xteam Software (China) Co., Limited[Δ]	PRC	US$3,000,000	**100**	100	Sale of computer software and provision of related services
Xteam Software (Hong Kong) Limited	Hong Kong	HK$100	**100**	100	Office management
Allied Jumbo Development Limited[#]	Hong Kong	HK$1	**100**	–	Investment holding
北京控股信息發展有限公司[Δ#]	PRC	US$150,000	**100**	–	Office management
廣州華源潤通網路科技有限公司[#^]	PRC	RMB1,000,000	**75**	–	Provision of system integration, internet and mobile communication services

14. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
河北華源潤通科技有限公司#^	PRC	RMB1,000,000	**51**	–	Dormant
長沙華源潤通網路科技有限公司@#^	PRC	RMB1,000,000	**51**	–	Dormant
成都華源潤通科技有限公司@#^	PRC	RMB1,000,000	**51**	–	Dormant
華源潤通(大連)科技有限公司@#^	PRC	RMB1,000,000	**100**	–	Dormant
南京拓通科技有限公司@^	PRC	RMB1,000,000	**51**	–	Dormant
華源潤通(北京)科技有限公司#^	PRC	RMB1,000,000	**100**	–	Provision of system integration, internet and mobile communication services
華源開拓(北京)有限公司#^	PRC	RMB1,000,000	**100**	–	Provision of system integration, internet and mobile communication services

* Directly held by the Company
@ Set up during the year
Δ Registered as wholly-foreign-owned enterprises under the PRC law
Acquired during the year *(note 30)*
^ Registered as limited liability companies under the PRC law

15. GOODWILL

	Group 2007 HK$'000	2006 HK$'000
At 1 January:		
Cost	**289,465**	289,465
Accumulated impairment	**(210,759)**	–
Net carrying amount	**78,706**	289,465
Cost, net of accumulated impairment:		
At 1 January	**78,706**	289,465
Acquisition of subsidiaries *(note 30)*	**1,063,775**	–
Impairment during the year	**–**	(210,759)
At 31 December	**1,142,481**	78,706
At 31 December:		
Cost	**1,353,240**	289,465
Accumulated impairment	**(210,759)**	(210,759)
Net carrying amount	**1,142,481**	78,706

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units in terms of principal subsidiaries for impairment testing.

	Group 2007 HK$'000	2006 HK$'000
Asren *(note (i))*	**10,016**	10,016
Astoria *(note (ii))*	**23,542**	23,542
Wisdom Elite *(note (ii))*	**45,148**	45,148
Full Trump *(note (iii))*	**1,063,775**	–
Carrying amount of goodwill	**1,142,481**	78,706

15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Notes:

(i) The recoverable amount of the cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13%. The Group is the pioneer of the technology in the market and the Group determined the sales volume based on management's past experience in the information technology market and their expectations for the market development. Budgeted gross margins are determined by management based on past performances and the expected growth rate of the market.

(ii) The recoverable amounts of the cash-generating units of Wisdom Elite and Astoria are determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets covering a ten-year period approved by senior management. Cash flows beyond the first five-year period are extrapolated using a constant growth rate of 3% which is the long term inflation rate of Mainland China. The discount rate used for the value in use calculation is 13%. Management determined the budgeted gross margins based on past performances and the average growth rate used is comparable with the forecast of the information technology market in the PRC.

(iii) The recoverable amount of the cash-generating unit has been determined by reference to a business valuation performed by CB Richard Ellis Limited, independent professionally qualified valuers, on a value in use calculation using cash flow projections which are based on financial budgets approved by management covering a period of five years. The discount rate applied to the cash flow projections is 22%, which is determined with reference to the average discount rates for the relevant industries and the business risks of the relevant business units. Management determined the budget turnover based on past performances, management's past experience in the market as well as their expectation for the market development.

15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

During the year ended 31 December 2006, goodwill impairment losses of HK$210,759,000 were charged in the income statement as senior management of the Group believes that the recoverable amounts of the relevant cash-generating units are less than the carrying amounts with reference to the business valuation.

Key assumptions were used in the value in use calculation of the above-said cash-generating units. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted turnover – Budgeted turnover is based on the expected growth rate of the market in which the assessed entity operates and the expected market share of the assessed entity.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, and adjusted for the expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials/labour price inflation – The basis used to determine the value assigned to raw materials/labour price inflation is the forecast price indices during the budget year in the PRC. The values assigned to key assumptions are consistent with external information sources.

Operating expenses – The bases used to determine the value assigned are staff head counts and price inflation. The value assigned to the key assumption reflects past experience and management's commitment to maintain its operating expenses to an acceptable level.

16. OTHER INTANGIBLE ASSETS

Group

	Deferred development costs HK$'000	Trademarks HK$'000	Computer software HK$'000	Golf club membership HK$'000	Total HK$'000
31 December 2007					
Cost at 1 January 2007, net of accumulated amortisation	956	1,684	400	–	3,040
Additions	–	–	–	3,229	3,229
Acquisition of subsidiaries *(note 30)*	–	–	18	–	18
Amortisation provided during the year	(851)	(132)	(52)	(108)	(1,143)
Exchange realignment	41	111	26	–	178
At 31 December 2007	146	1,663	392	3,121	5,322
At 31 December 2007:					
Cost	1,750	2,723	553	3,229	8,255
Accumulated amortisation	(1,604)	(1,060)	(161)	(108)	(2,933)
Net carrying amount	146	1,663	392	3,121	5,322

16. OTHER INTANGIBLE ASSETS *(Continued)*

Group

	Deferred development costs HK$'000	Trademarks HK$'000	Computer software HK$'000	Golf club membership HK$'000	Total HK$'000
31 December 2006					
Cost at 1 January 2006, net of accumulated amortisation	–	1,741	433	–	2,174
Additions – internal development	1,639	–	–	–	1,639
Amortisation provided during the year	(670)	(125)	(49)	–	(844)
Exchange realignment	(13)	68	16	–	71
At 31 December 2006	956	1,684	400	–	3,040
At 31 December 2006:					
Cost	1,639	2,548	500	–	4,687
Accumulated amortisation	(683)	(864)	(100)	–	(1,647)
Net carrying amount	956	1,684	400	–	3,040

16. OTHER INTANGIBLE ASSETS *(Continued)*

Company

	Golf club membership	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	**–**	–
Additions	**3,229**	–
Amortisation provided during the year	**(108)**	–
At 31 December	**3,121**	–
At 31 December:		
Cost	**3,229**	–
Accumulated amortisation	**(108)**	–
Net carrying amount	**3,121**	–

17. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**244**	632
Work in progress	**301**	308
Finished goods and merchandise	**2,456**	2,786
	3,001	3,726

18. TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Due from third parties	**84,019**	27,763
Due from related companies	**13,449**	–
Due from fellow subsidiaries	**–**	2,384
	97,468	30,147
Impairment	**(988)**	(505)
	96,480	29,642

Generally, the Group has granted credit terms to its customers, ranging from 30 to 90 days. In certain cases, the Group would request payment in advance from the customers.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables are mainly due from governmental bodies and authorities in Beijing while the rest of the balance relates to a number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The balances with related companies and fellow subsidiaries are repayable on similar credit terms to those offered to the major customers of the Group.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**44,170**	23,646
1 to 2 months	**13,256**	350
2 to 3 months	**19,079**	124
Over 3 months	**19,975**	5,522
	96,480	29,642

18. TRADE RECEIVABLES *(Continued)*

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	**505**	250
Impairment losses recognised *(note 6)*	**436**	240
Exchange realignment	**47**	15
	988	505

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**21,873**	17,317
Less than 1 month past due	**39,167**	6,632
1 to 3 months past due	**30,621**	178
Over 3 months past due	**4,819**	5,515
	96,480	29,642

Receivables that were neither past due nor impaired mainly relate to several major customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**52,884**	256	**150**	95
Deposits and other receivables	**12,535**	5,084	**–**	–
Dividends receivable	**–**	–	**1,442**	1,442
Due from related companies	**2,177**	–	**–**	–
Due from fellow subsidiaries	**–**	3,012	**–**	–
	67,596	8,352	**1,592**	1,537
Portion classified as current assets	**(40,709)**	(8,352)	**(1,592)**	(1,537)
Long term portion	**26,887**	–	**–**	–

The balances with related companies and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

20. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Unlisted equity investment funds, at quoted market price	**8,547**	–

They were designated at fair value through profit or loss upon initial recognition.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**131,672**	39,655	**52,873**	513
Short term deposits	**104,136**	–	**90,247**	–
Cash and cash equivalents	**235,808**	39,655	**143,120**	513

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$89,695,000 (2006: HK$38,554,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

22. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**3,356**	1,661
1 to 2 months	**528**	264
2 to 3 months	**296**	3
Over 3 months	**1,865**	1,572
	6,045	3,500

In the prior year, included in the trade payables was an amount due to a fellow subsidiary of HK$150,000, which was repayable on similar credit terms to those offered by the fellow subsidiary to their customers.

The trade payables are non-interest-bearing and are normally settled within 30 to 90 days.

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deferred income	**2,632**	–	**–**	–
Other payables	**15,358**	6,237	**–**	–
Accruals	**5,539**	2,872	**2,410**	837
Due to a related company	**338**	–	**338**	–
	23,867	9,109	**2,748**	837

Other payables are non-interest-bearing and are normally settled within 90 days.

The balance with a related company is unsecured, interest-free and has no fixed terms of repayment.

24. DUE TO SHAREHOLDERS/A SUBSIDIARY/HOLDING COMPANY

The amounts due to shareholders and a subsidiary are unsecured, interest-free and have no fixed terms of repayment while the amount due to holding company of the prior year was unsecured, bore interest at a rate of 5% per annum and had no fixed terms of repayment.

25. CONVERTIBLE BONDS

On 18 September 2007, the Company issued two zero coupon convertible bonds with a principal amount of HK$200,246,000 to an independent third party as part of the consideration for the acquisition of Full Trump, further details of which are disclosed in note 30 to the financial statements. There was no movement in the number of these convertible bonds during the year. The bonds conferred the right on the bondholder to convert the whole or part of the principal amount of the bonds into ordinary shares of the Company at any time commencing on 19 September 2007 until 21 May 2010 at a conversion price of HK$0.19215 per share. The outstanding principal amount of the convertible bonds, if not converted, will be repaid on 28 May 2010 at 100% of the outstanding amount.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the year have been split as to the liability and equity components, as follows:

	2007	2006
	HK$'000	*HK$'000*
Principal amount of convertible bonds issued during the year	**200,246**	–
Equity component	**(25,345)**	–
Liability component at the issuance date	**174,901**	–
Interest expense *(note 7)*	**2,592**	–
Liability component at 31 December	**177,493**	–

26. DEFERRED TAX

The Group has tax losses arising in Hong Kong of HK$3,682,000 (2006: HK$3,682,000) that are available indefinitely, and in the PRC of HK$29,319,000 (2006: HK$27,327,000) that are available for a maximum of five years, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is considered not probable that taxable profits will be available against which tax losses can be utilised.

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

27. SHARE CAPITAL

Shares

	2007	2006
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
6,233,906,368 (2006: 3,842,606,368) ordinary shares of HK$0.01 each	**62,339**	38,426

During the year, the movements in share capital are as follows:

(a) Pursuant to placing and subscription agreements dated 8 February 2007 and 24 April 2007, 300,000,000 and 468,000,000 ordinary shares of the Company were allotted at HK$0.098 and HK$0.315 per share, respectively. The aggregate cash proceeds raised, before expenses, amounted to HK$176,820,000.

(b) The subscription rights attaching to 41,100,000 and 22,200,000 share options were exercised at subscription prices of HK$0.14 and HK$0.044 *(note 28)*, respectively, resulting in the issue of 63,300,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$6,730,800.The share option reserve of HK$394,000 in respect of the share options exercised during the year is transferred to the share premium account.

27. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

A summary of the movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2006 and 2007	3,842,606,368	38,426	326,383	364,809
Issue of shares for acquisition of subsidiaries	1,560,000,000	15,600	879,988	895,588
Allotment of new shares (a)	768,000,000	7,680	169,140	176,820
Share options exercised (b)	63,300,000	633	6,492	7,125
Share issue expenses	–	–	(6,021)	(6,021)
Transfer to accumulated losses	–	–	(258,677)	(258,677)
At 31 December 2007	**6,233,906,368**	**62,339**	**1,117,305**	**1,179,644**

Share options

Details of the Company's share option schemes are included in note 28 to the financial statements.

28. SHARE OPTION SCHEME

On 21 November 2001, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive and non-executive directors, full-time employees of the Group, advisers and consultants of the Group. The Scheme became effective on 21 November 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and yet to be granted under the Scheme is currently limited to 30% of the shares of the Company in issue at any time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in the Scheme in any 12-month period up to the date of the grant is limited to 1% of the aggregate number of issued shares of the Company at any time.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors at their discretion, and commences on the date upon which the options are deemed to be granted and accepted.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

28. SHARE OPTION SCHEME *(Continued)*

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

		Number of share options				
Name or category of participant	*Notes*	**At 1 January 2007**	**Granted during the year****	**Exercised during the year****	**Lapsed/ forfeited during the year**	**At 31 December 2007**
Executive directors:						
Mr. Li Kangying	*(c)*	–	36,000,000	–	–	36,000,000
Mr. Wang Zhenyu	*(c)*	–	35,000,000	–	–	35,000,000
Dr. Yu Xiaoyang	*(c)*	–	32,400,000	–	–	32,400,000
Mr. Yan Qing	*(c)*	–	32,400,000	–	–	32,400,000
Mr. Zhang Zhihong	*(c)*	–	32,400,000	–	–	32,400,000
Mr. E Meng	*(c)*	–	32,400,000	–	–	32,400,000
Mr. Cao Wei	*(c)*	–	32,400,000	–	–	32,400,000
Mr. Wang Dongbin	*(c)*	–	32,400,000	–	(32,400,000)	–
Independent non-executive directors:						
Ms. Ma Yuhua	*(c)*	–	4,000,000	–	–	4,000,000
Ms. Liang Yeping	*(c)*	–	4,000,000	–	–	4,000,000
Dr. Zhou Chunsheng	*(c)*	–	4,000,000	–	–	4,000,000
Other employees	*(a)*	8,800,000	–	(8,100,000)	(700,000)	–
	(b)	–	22,200,000	(22,200,000)	–	–
	(c)	–	100,900,000	–	(6,900,000)	94,000,000
	(d)	–	6,500,000	–	–	6,500,000
Advisers and consultants	*(a)*	33,000,000	–	(33,000,000)	–	–
	(c)	–	14,000,000	–	–	14,000,000
		41,800,000	421,000,000	(63,300,000)	(40,000,000)	359,500,000

28. SHARE OPTION SCHEME *(Continued)*

Notes:

(a) These options were granted on 19 December 2003 at an exercise price of HK$0.14* per share. The options may be exercised at any time commencing on 19 December 2003 and if not otherwise exercised, will lapse on 18 December 2013.

(b) These options were granted on 4 January 2007 at an exercise price of HK$0.044* per share. The options may be exercised at any time commencing on 4 January 2007 and, if not otherwise exercised, will lapse on 3 January 2017.

(c) These options were granted on 13 September 2007 at an exercise price of HK$0.79* per share. The options may be exercised at any time commencing on 13 March 2008 and, if not otherwise exercised, will lapse on 12 September 2012. The exercise of the option is subject to an annual cap of 25% of the share options granted. Subject to the approval of the Share Option Committee and the Remuneration Committee, executive directors and independent non-executive directors are entitled to exercise all the share options within three months from the date of termination of their employment.

(d) These options were granted on 31 October 2007 at an exercise price of HK$0.79* per share. The options may be exercised at any time commencing on 30 April 2008 and, if not otherwise exercised, will lapse on 31 October 2012. The exercise of the options is subject to an annual cap of 25% of the share options granted.

Notes to the reconciliation of share options outstanding during the year:

* *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

** *The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$0.39. The weighted average closing price of the Company's shares immediately before the dates on which the options were granted during the year was HK$0.73.*

28. SHARE OPTION SCHEME *(Continued)*

	2007		2006	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	**0.14**	**41,800**	0.14	46,500
Granted during the year	**0.75**	**421,000**	–	–
Forfeited during the year	**0.78**	**(40,000)**	0.14	(4,700)
Exercised during the year	**0.11**	**(63,300)**	–	–
	0.79	**359,500**	0.14	41,800

The directors have estimated the values of the share options granted during the year, calculated using the Black-Scholes option pricing model as at the date of grant of the option:

Grantee	**Number of options granted during the year**	**Theoretical value**
		HK$
Mr. Li Kangying	36,000,000	16,495,703
Mr. Wang Zhenyu	35,000,000	16,037,489
Dr. Yu Xiaoyang	32,400,000	14,846,134
Mr. Yan Qing	32,400,000	14,846,134
Mr. Zhang Zhihong	32,400,000	14,846,134
Mr. E Meng	32,400,000	14,846,134
Mr. Cao Wei	32,400,000	14,846,134
Mr. Wang Dongbin	32,400,000	14,846,134
Ms. Ma Yuhua	4,000,000	1,832,856
Ms. Liang Yeping	4,000,000	1,832,856
Dr. Zhou Chunsheng	4,000,000	1,832,856
Other employees	129,600,000	49,606,183
Advisers and consultants	14,000,000	6,414,996
	421,000,000	183,129,743

28. SHARE OPTION SCHEME *(Continued)*

The fair value of the share options granted during the year was HK$183,130,000 (HK$0.44 each) (2006: Nil) of which the Group recognised a share option expense of HK$24,164,000 (2006: Nil) during the year ended 31 December 2007.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2007:

	2007
Dividend yield *(%)*	**–**
Expected volatility *(%)*	**77.13**
Risk-free interest rate *(%)*	**3.871 – 3.968**
Expected life of options *(year)*	**2.75 – 4.50**
Weighted average share price *(HK$)*	**0.79**

The expected life of the options is based on the estimate of management and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 63,300,000 share options exercised during the year resulted in the issue of 63,300,000 ordinary shares of the Company and new share capital of HK$633,000 and share premium of HK$6,098,000 (before issue expenses), as further detailed in note 27 to the financial statements.

28. SHARE OPTION SCHEME *(Continued)*

At the balance sheet date, the Company had 359,500,000 share options outstanding under the Scheme, which represented approximately 6% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 359,500,000 additional ordinary shares of the Company and additional share capital of HK$3,595,000 and share premium of HK$280,410,000 (before issue expenses).

Subsequent to the balance sheet date, on 11 February 2008, a total of 20,000,000 share options were granted to a director of the Company in respect of his services to the Group in the forthcoming year. These share options will vest on 11 August 2008 and have an exercise price of HK$0.53 per share and an exercise period from 11 August 2008 to 10 February 2013. The price of the Company's shares at the date of grant was HK$0.53 per share.

At the date of approval of these financial statements, the Company had 379,500,000 share options outstanding under the Scheme, which represented approximately 7% of the Company's shares in issue as at that date.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

Pursuant to the relevant laws and regulations of the PRC, a portion of the profits of the Group's subsidiaries which are established in the PRC has been transferred to reserve funds which are restricted as to use.

29. RESERVES *(Continued)*

(b) Company

	Share premium account	Equity component of convertible bonds	Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	326,383	–	–	(50,142)	276,241
Loss for the year	–	–	–	(195,401)	(195,401)
At 31 December 2006 and 1 January 2007	326,383	–	–	(245,543)	80,840
Acquisition of subsidiaries	879,988	25,345	–	–	905,333
Allotment of new shares	175,632	–	(394)	–	175,238
Share issue expenses	(6,021)	–	–	–	(6,021)
Loss for the year	–	–	–	(55,010)	(55,010)
Transfer to accumulated losses	(258,677)	–	–	258,677	–
Equity-settled share option arrangements	–	–	24,164	–	24,164
At 31 December 2007	**1,117,305**	**25,345**	**23,770**	**(41,876)**	**1,124,544**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

30. BUSINESS COMBINATION

On 18 September 2007, the Group acquired from an independent third party (the "Vendor") a 100% equity interest in Full Trump for a consideration of HK$1,095,834,000. The purchase consideration for the acquisition was in the form of allotment of 1,560,000,000 new ordinary shares of the Company (the "Consideration Shares") and the issuance of convertible bonds with a fair value of HK$200,246,000 by the Company to the Vendor. Out of the Consideration Shares, 468,000,000 ordinary shares were issued by the Company without any lock-up period. Such shares were valued at the Stock Exchange closing price of the Company's shares on 18 September 2007 of HK$0.92 per share. The remaining 92,000,000 and 1,000,000,000 Consideration Shares which are subject to a lock-up period of 0.5 and 1.5 years from the date of issuance were fair valued at HK$0.57 and HK$0.41 per share, respectively, representing discounts of 38% and 55% to the Stock Exchange closing price of the Company's shares on the acquisition date. The fair values of these shares were estimated at the acquisition date using the Black-Scholes-Merton Model. Details of the convertible bonds issued are further disclosed in note 25 to these financial statements.

The fair values of the identifiable assets and liabilities of Full Trump acquired as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition and previous carrying amount *HK$'000*
Property, plant and equipment *(note 13)*	5,455
Other intangible assets *(note 16)*	18
Cash and bank balances	15,409
Trade receivables	48,166
Prepayments, deposits and other receivables	50,392
Inventories	228
Trade payables	(670)
Other payables and accruals	(9,958)
Due to a shareholder	(65,723)
Tax payable	(4,889)
Minority interests	(1,776)
	36,652
Goodwill on acquisition *(note 15)*	1,063,775
	1,100,427
Satisfied by:	
Issue of convertible bonds	200,246
Issue of shares	895,588
Costs associated with the acquisition	4,593
	1,100,427

30. BUSINESS COMBINATION *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	HK$'000
Cash and bank balances acquired	15,409
Cash paid	(4,593)
Net cash inflow	10,816

In 2005, Full Trump has entered into an agreement with a third party where it was agreed that Full Trump shall develop and operate an internet information searching platform on an information database owned by a government bureau at nil consideration. In return, Full Trump was granted the contractual right to use the information database and charge the public for using this internet information searching platform. The contract lasts for a period of five years and it is identified as an intangible asset of the acquiree at the date of acquisition. CB Richard Ellis Limited, independent professionally qualified valuers, assessed the valuation of the contractual right and concluded that the fair value of the intangible asset cannot be measured reliably on the basis that the valuation would be subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the acquiree. The intangible asset is therefore not recognised separately from the goodwill of HK$1,063,775,000 at the date of acquisition and is included therein because the fair value of the contractual right cannot be reliably measured.

In the opinion of the management, the significant amount of goodwill arose from the acquisition was partly attributable to the unexpected increase in the Company's share price from HK$0.192 per share on 23 March 2007, the date of entering into the letter of intent for the acquisition of Full Trump, to HK$0.92 per share on the completion date of 18 September 2007. In addition, in view of that Full Trump is a relatively new business with prospect , the combination with Full Trump is expected to bring in new business opportunities and create synergies which enhance the operation of the Group as a whole.

Since its acquisition, Full Trump and its subsidiaries contributed HK$55,533,000 to the Group's turnover and HK$41,468,000 to the consolidated profit for the year ended 31 December 2007.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$220,754,000 and HK$82,240,000, respectively.

31. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one year to three years.

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**6,035**	1,864
In the second to fifth years, inclusive	**7,656**	620
	13,691	2,484

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted, but not provided for the purchase of information systems	**11,090**	–

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2007** **HK$'000**	2006 HK$'000
Purchase from a subsidiary of a major shareholder of the Company	*(i)*	**841**	–
Technical service fee payable to a fellow subsidiary	*(ii)*	**–**	539
Interest payable to holding company	*(iii)*	**136**	558
Service fee income receivable from:			
A fellow subsidiary	*(iv)*	**–**	1,680
Subsidiaries of a major shareholder of the Company	*(iv)*	**22,966**	–

Notes:

(i) The purchase from a related company was made according to similar prices and conditions offered by the related company to their major customers.

(ii) The service fee was determined with reference to the fees charged to third parties by the fellow subsidiary.

(iii) Interest was charged at a rate of 5% per annum on the outstanding loan principal.

(iv) The service fees were determined with reference to the fees charged to third parties by the Group.

33. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel of the Group:

	2007	2006
	HK$'000	*HK$'000*
Short term employee benefits	**6,714**	3,268
Post-employment benefits	**166**	98
Share-based payments	**19,721**	–
Total compensation paid to key management personnel	**26,601**	3,366

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(iv) above in this year and the prior year also constitute continuing connected transactions as defined in Chapter 20 of the Listing Rules.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007

Financial assets

	Group		
	Financial assets designated at fair value through profit or loss	**Loans and receivables**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	–	96,480	96,480
Financial assets included in prepayments, deposits and other receivables	–	14,712	14,712
Financial assets designated at fair value through profit or loss	8,547	–	8,547
Cash and cash equivalents	–	235,808	235,808
	8,547	347,000	355,547

Financial liabilities

	Group
	Financial liabilities at amortised cost
	HK$'000
Trade payables	6,045
Financial liabilities included in other payables and accruals *(note 23)*	15,696
Convertible bonds	177,493
Due to shareholders	68,816
	268,050

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(Continued)*

2006

Financial assets

	Group Loans and receivables *HK$'000*
Trade receivables	29,642
Financial assets included in prepayments, deposits and other receivables	8,096
Cash and bank balances	39,655
	77,393

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade payables	3,500
Financial liabilities included in other payables and accruals *(note 23)*	6,237
Due to holding company	12,913
	22,650

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the balance Sheet date are as follows: *(Continued)*

Financial assets

	Company	
	2007	2006
	Loans and receivables	Loans and receivables
	HK$'000	*HK$'000*
Interests in subsidiaries *(note 14)*	**12,145**	24,254
Financial assets included in prepayments, deposits and other receivables	**1,442**	1,442
Cash and bank balances	**143,120**	513
	156,707	26,209

Financial liabilities

	Company	
	2007	2006
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Due to a subsidiary	**5,625**	5,631
Financial liabilities included in other payables and accruals *(note 23)*	**338**	–
Convertible bonds	**177,493**	–
Due to holding company	**–**	12,913
	183,456	18,544

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise cash and short term deposits, convertible bonds and interest-bearing loans from holding company. These financial instruments are used for the Group's working capital. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's business are located in Mainland China and all the sales and purchases transactions are conducted in RMB. Fluctuations of the exchange rates of RMB against foreign currencies are not expected to have significant impact on the results of the Group.

The following table demonstrates the sensitivity at the balance sheet dates to a reasonably possible change in RMB exchange rate, with all other variable held constant, of the Group's profit/loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit/loss before tax**
	%	*HK$'000*
2007		
If Hong Kong dollar weakens against RMB	**5**	**(1,211)**
If Hong Kong dollar strengthens against RMB	**(5)**	**1,211**
2006		
If Hong Kong dollar weakens against RMB	5	(931)
If Hong Kong dollar strengthens against RMB	(5)	931

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Group places its cash deposits with major international banks in Hong Kong and state-owned banks in Mainland China. This investment policy limits the Group's exposure to the concentration of credit risk.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the balance sheet date, the Group has certain concentrations of credit risk as 13% (2006: 21%) and 53% (2006: 44%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the convertible bonds and funding from the shareholders. Financial liabilities of the Group and the Company included in current liabilities as at the balance sheet date either have no fixed terms of repayment or are due for repayment within one year.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern. Capital includes convertible bonds and equity attributable to equity holders of the Company which amounted to HK$1,453,912,000 (2006: HK$130,027,000) as at the balance sheet date. The Group does not have specific policies for managing capital and it is not subject to any externally imposed capital requirement. The Group will continue to maintain healthy capital ratios in order to support its business and maximise shareholder value.

36. COMPARATIVE AMOUNTS

Due to the adoption of the new and revised HKFRSs during the year, certain comparative amounts have been reclassified to conform with the current year's presentation and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2008.

FIVE YEAR FINANCIAL SUMMARY

31 December 2007

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS	**1 January 2007 to 31 December 2007**	1 January 2006 to 31 December 2006	1 January 2005 to 31 December 2005	1 April 2004 to 31 December 2004	1 April 2003 to 31 March 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**135,814**	42,075	66,891	51,739	26,823
PROFIT/(LOSS) BEFORE TAX	**20,000**	(220,297)	15,946	12,391	(31,980)
Tax	**(3,947)**	(2,066)	(444)	97	(318)
PROFIT/(LOSS) FOR THE YEAR/ PERIOD	**16,053**	(222,363)	15,502	12,488	(32,298)
Attributable to:					
Equity holders of the Company	**16,310**	(220,247)	10,065	11,297	(33,722)
Minority interests	**(257)**	(2,116)	5,437	1,191	1,424
	16,053	(222,363)	15,502	12,488	(32,298)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**1,574,605**	168,004	387,178	353,787	40,294
TOTAL LIABILITIES	**(285,384)**	(27,611)	(26,288)	(18,953)	(9,244)
MINORITY INTERESTS	**(12,802)**	(10,366)	(12,969)	(3,233)	(2,801)
	1,276,419	130,027	347,921	331,601	28,249