浙大蘭德

ZHEDA LANDE SCITECH LIMITED*

浙江浙大網新蘭德科技股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code: 8106

ANNUAL REPORT 2008

* for identification purpose only

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange 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.

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Corporate Information

DIRECTORS

Executive directors

Mr. Chen Ping *(Chairman)*
Mr. Shi Lie
Mr. Chao Hong Bo
Ms. Geng Hui
Mr. Hu Yang Jun
Mr. Xia Zhen Hai

Independent non-executive directors

Mr. Zhang De Xin
Mr. Cai Xiao Fu
Mr. Gu Yu Lin

SUPERVISORS

Supervisors

Mr. Huo Zhong Hui
Mr. Zheng Bing
Ms. Xue Yun

Independent supervisors

Mr. Feng Pei Xian
Mr. Wang Hui

AUTHORISED REPRESENTATIVE

Mr. Chen Ping
Ms. Chan Ching Yi, Yvonne *FCCA*

COMPLIANCE OFFICER

Mr. Chao Hong Bo

QUALIFIED ACCOUNTANT

Ms. Chan Ching Yi, Yvonne *FCCA*

COMPANY SECRETARY

Ms. Chan Ching Yi, Yvonne *FCCA*

AUDIT COMMITTEE

Mr. Gu Yu Lin
Mr. Zhang De Xin
Mr. Cai Xiao Fu

REGISTERED OFFICE

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The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN CHINA

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITORS

SHINEWING (HK) CPA Limited
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95 Queensway,
Hong Kong

PRINCIPAL BANKER

Shanghai Pudong Development Bank
Hangzhou Branch
129 Yanan Road
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Zhejiang Province
The People's Republic of China

STOCK CODE

8106

Chairman's Statement

I would like to present hereby on behalf of the board of directors (the "Board") of Zheda Lande Scitech Limited (the "Company") the 2008 Annual Report of the Company and its subsidiaries (together the "Group").

FINANCIAL HIGHLIGHTS

I hereby announce that for the year ended 31 December 2008, the Group realized a turnover of approximately RMB121,547,000 with a net loss attributable to equity holders of the Company of approximately RMB7,356,000.

The Board does not recommend a payment for final dividends for the financial year ended 31 December 2008.

OPERATION REVIEW

2008 was an unforgettable year due to the outburst of global financial crisis, which had laid before us unprecedented difficulties and challenges. However, we are confident that the Group is going to survive this crisis together with our shareholders, staff and business partners, and will grasp every opportunity for our growth in a better manner.

During the past year, our predetermined strategies were satisfactorily implemented and our businesses maintained a stable growth. We have also tried to develop some new products and applications, such as enterprise TV Station service, enterprise Ji Shi Tong service and precise market system, all of which will become our key sources of income in the future. Meanwhile, our existing products and operations were also under continued perfection and improvement to meet customers' needs. Through our seamless cooperation with operators, we have maintained a stable business growth.

FUTURE PROSPECTS

Going forward, in the business front, our focus will be placed on value-added services according to our business plan. The current 3G applications also provide new room for our business growth. We will proactively explore market demands and launch more applications on value-added services by capitalizing on Internet and communication technologies. In the cost control front, we will continue to reduce costs and expenditures, so as to improve our financial positions steadily.

Finally, on behalf of the Board and our management, I would like to express my gratitude to our business partners, customers and shareholders for their valuable supports.

Chen Ping
Chairman

27 March 2009
Hangzhou, the PRC

Management Discussion and Analysis

REVIEW OF OPERATIONS

1. Review of operating results for the year

For the year ended 31 December 2008, the consolidated turnover of the Group was approximately RMB121,547,000, representing an decrease of approximately RMB9,895,000, or approximately 7.53% as compared with that of 2007.

The net loss attributable to equity holders of the Company for the year ended 31 December 2008 was approximately RMB7,356,000, comparing to the net loss attributable to equity holders of the Company for the year ended 31 December 2007 of approximately RMB12,856,000.

The main reasons for the results for the year are:

(1) during the year, owing to the restructuring and business adjustment of major telecom operators, the external operating environment of the Company was changed and thus affected the Company's business; and

(2) during the year, the Company increased investment in research and development which had a direct impact on the results for this year.

2. Product and business development

During the year under review, the Group has made tremendous efforts on research of new products and development of new businesses, with a view to lay a solid foundation for sustainable growth of the Group. Leveraging on its strong connection with the operators, the Group conducted in-depth research on decoding of information data and thus developed correlated product of precision market system ("PMS"), thereby providing a large number of enterprises with the precision market platform. The Group also conducted research and development on new products including enterprise TV, menhutong (門戶通) and real-time messengers (實時通), to help enterprises shape their brands and expand their businesses through the Internet.

During the year under review, the Group mainly focused on value-added communication businesses, application businesses and system integration businesses. As for value-added businesses, a number of products based on the Number 114 Bai Shi Tong service provided by China Telecom, such as enterprise Bai Shi Tong alliance, enterprise SMS business card, personal communication assistant, map business card, missed call notification, 114 business information, industrial and commercial information platform and Zhejiang Ruyi Quanquan, were comprehensively launched in Zhejiang Province and gradually expanding to adjacent provinces where some have even commenced operations. As for application businesses, the Group mainly provided management information support as well as development and system maintenance for related software to telecommunications operator. In addition, we also provide purchase, installation and maintenance services for system information project and system networking products.

Management Discussion and Analysis (Cont'd)

3. Investment and cooperation

During the year, for the purpose of business restructuring, the Group disposed of its 78% equity interests in 浙江天信科技發展有限公司, the entire equity interests in 杭州大篷車影視傳播有限公司 and 9% equity interests in Zhejiang Lande Congheng Network Service Company Limited. Meanwhile, the Group also established 杭州英納特信息科技有限公司 for the development of enterprise TV Station business.

4. Employees information

As at 31 December 2008, the Group had approximately 420 (2007: 370) employees in total. The total staff costs of the Group for the year amounted to approximately RMB20,886,000 (2007: RMB14,319,000).

The Group's human resources management strategy is formulated in accordance with the Group's development strategy and long term goal. Being an important constituent making up the Group's collective development strategy, human resources strategy gives the fundamental support and impulsive effect to make the Group's collective strategy to be realized. The entire infrastructure of human resources management is built up in accordance with the Group's integral strategy and vision. At the same time, incentive scheme will be embedded in other human resources programs and flourishing result is expected from this cross match.

The Group opened wide for recruitment channels, set up mechanisms for attracting human resources, grasped for human development and formulated a good system in people deployment and incubation.

The Group implemented an annual income target system which was linked up with staff performance appraisal and compensation system. Target annual income was confirmed and released in accordance with performance appraisal result. After a total assessment on employee's job performance, capability, and work attitude, an integrated evaluation could be established for the employee which will be used as referencing standard. Through the integration of the two systems, the employees are effectively motivated and the attainment of the Group's target is assured.

Management Discussion and Analysis (Cont'd)

The Group did envisage on employee's personal development and provided employees with training courses on quality and skills. By conducting training needs assessment, the Group invited professional consulting firms to design training system and deliver courses. Training plan was given to suit individual staff so as to help each one more compatible with the Company's job requirement and ensure comprehensive development during his career life. The Group could have more and better development only if employees were upgraded substantially.

The Group did not issue any share options nor had any bonus plan.

REVIEW OF FINANCIAL POSITIONS

- The Group maintained creditable financial conditions. For the year ended 31 December 2008, the Group was mainly financed by proceeds generated from daily operations.

- As at 31 December 2008, the Group's cash and bank deposits balances amounted to approximately RMB25,428,000 (2007: RMB13,955,000).

- As at 31 December 2008, the Group had no short-term borrowings (2007: Nil).

- As at 31 December 2008, the Group had a total asset value of approximately RMB131,341,000 (2007: RMB179,796,000).

- As at 31 December 2008, the Group had current liabilities of approximately RMB32,355,000 (2007: RMB78,568,000).

- As at 31 December 2008, the Group had shareholders' equity of approximately RMB86,231,000 (2007: RMB87,308,000).

- As at 31 December 2008, the Group had minority interests of approximately RMB12,755,000 (2007: RMB13,920,000).

- As at 31 December 2008, the Group had a gearing ratio (i.e. the ratio of liabilities to total assets) of approximately 24.63% (2007: 43.70%).

- As at 31 December 2008, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 26.14% (2007: 50.10%).

- As all of the Group's account payables of purchases and account receivables of sales are in Renminbi, there is no foreign exchange risk.

- As at 31 December 2008, the Group had no bank deposits pledged to secure general banking facilities granted to the Group (2007: Nil).

- During the year ended 31 December 2006, the Company entered into a series of agreements, with the related parties over which directors of the Company have control to provide corporate guarantee to banks with respect to the loan facilities granted to two such related parties of a maximum amount of RMB80,000,000 in aggregate and another related party will provide corporate guarantee to banks with respect to the loan facilities granted to the Company of a maximum amount of RMB100,000,000.

  As at 31 December 2008 and 2007, none of the loan facilities guaranteed by the Company have been utilised.

FUTURE PROSPECTS

1. Orders in hand/Status in sales contract

Our value-added service business has a large customer base and maintains a stable source of customers, the respective business contracts of which will continue to be implemented. For instance, we recorded stable revenue in our Telecom Number 114 Bai Shi Tong service and Zhejiang Ruyi Quanquan and are expanding our value-added business into other provinces and developing the client base for our value-added business as planned. For application services, we have a stable client base in the three major telecom operators and they have intention to enter into contracts in relation to system maintenance services and technical support as well as contracts in relation to development of subsequent new products every year. In particular the restructuring and business adjustment of the three major telecom operators will provide potential substantial demand on software upgrading and development of new software system to allow them to switch to the new environment. Given such existing customers, we will enter into contracts in relation to the sourcing, installation and maintenance services for system integration projects and system network equipment.

2. Prospects of new business and new products

Through the use of self-developed in-depth information decoding know-how and by leveraging on its competitive edge in telecommunication and correlation of consumer behaviours, the Company has developed PMS which combines precision advertising, customer leading, customer care and effect assessment all in one. PMS offers services such as related information delivery, industry promotion, customer care and keyword bidding.

Related information delivery: when a 114 user calls to enquire specific enterprise information, the system will, following that enquiry, deliver advertisements and promotion information of related enterprises of both the upper and lower stream to that user on a one query one follow-up basis.

Management Discussion and Analysis (Cont'd)

Industry promotion: it uses business intelligence technology to fully explore existing telecommunication resources. Enterprises may advertise to users by distributing enterprise information through leading industry websites or related industry websites.

Customer care: it provides data analysis on all customer calls for enterprises (such as analysis on terminal nature and monthly telephone traffic trend, regional analysis, analysis on proportion of new and existing customers) as well as customer list, short returning message and free call services.

Keyword bidding: keyword bidding is a service with which an enterprise customer, on signing an agreement with Number 114 Bi Shi Tong, is privileged to choose from a few keywords that best define its principal products and services (and bid a price for each keyword) to advertise on the 114 Broadcasting System for a certain quota of opportunity. When a 114 user calls in to query on these keywords, the advertisement of the enterprise customer will be played to the user for that quota of opportunity. How often the advertisement of the enterprise customer is played depends on how much it bid for the keywords, and it is free to adjust such bidding or to add or delete a keyword or pause the broadcasting of it.

PMS has received positive customer feedback since preliminary launch thanks to its precision customer positioning, accurate information distribution and powerful data support. It provides a promising market prospect and will become a core product of the Company in future.

The newly-developed Zhanshibao Enterprise TV Station, Enterprise On-line Communication Platform and Portal Enterprise Customer Platform provide enterprises with Internet image packaging and channel expansion services and attract potential enterprise customers. These products promote, among others, the products, image, culture, services and brands of such enterprises on their websites in the form of clear videos, so as to produce a more direct visual effect on customers. Customers can gain larger return with small investment, which also represents a good opportunity for the Company. The future prospect of these products is promising.

In face of restructuring and business adjustment of telecom operators, our application business has to adapt to such changes in relation to software upgrading and development of new software for the telecom operators.

Directors, Supervisors and Senior Management

DIRECTORS

Executive directors

Mr. Chen Ping, aged 44, is the chairman of the Company. He is an advisor to students seeking their master degree and an associate professor at Zhejiang University. Mr. Chen graduated from the Department of Computer Science at Zhejiang University with a bachelor degree and a master degree in computer applications in July 1987 and December 1989, respectively. Since graduation from Zhejiang University, Mr. Chen has been involved in the R&D of computer networking and communication platforms, particularly in wireless data communication platforms and was awarded the Zhejiang Province Science and Technology Advancement Second Prize and Third Prize in 1993. Mr. Chen had previously conducted classroom lectures in the Department of Computer Science and Technology at Zhejiang University for 7 years up to 1997. Mr. Chen published two computers networking academic textbooks and a number of academic research papers in China. Mr. Chen joined the Company in May 1997.

Mr. Shi Lie, aged 44, is the vice-chairman of the Company. He graduated from Zhejiang University with a PhD degree in computer applications. Mr. Shi was an associate research analyst at the Faculty of Computer of Zhejiang University and the chief executive officer and chairman of Zhejiang University Innovation Tuling Information Technology Company Limited. Mr. Shi is currently the director and the chief executive officer of Insigma Technology Co. Ltd.. Mr. Shi joined the Company in August 2005.

Mr. Chao Hong Bo, aged 45, received a bachelor degree of engineering from Beijing University of Posts and Telecommunications in 1985 and a master degree of economics from Renmin University of China in 1987. After graduation, Mr. Chao worked as a research assistant in State Bureau of Commodity Prices of the PRC until 1993. During the period between 1993 and 1999, Mr. Chao was the vice editorial director of National Development and Reform Commission of the PRC (previously known as (State Planning Commission of the PRC)). From 1999 to 2001, he has been serving as the chief executive director of Guoheng Shengxing Media Science Group Company Limited, a substantial Shareholder of the Company. Mr. Chao has been appointed as an executive Director with effect from 20 July 2007.

Ms. Geng Hui, aged 38, graduated from Zhejiang University with a master degree in engineering management. Ms. Geng was the assistant manager of the corporate management department and investment development department of Shenzhen Special Economic Zone Development (Group) Company as well as the manager of the customer service and sales department and assistant general manager of United Securities Co., Ltd., Hua Qiang Road North, Shenzhen branch. In February 2004, she was appointed as the manager of the finance department of Insigma Technology Co. Ltd. and was promoted to the financial controller in April 2005.

Directors, Supervisors and Senior Management (Cont'd)

Mr. Hu Yang Jun, aged 35, graduated with a bachelor degree from Anhui Normal University with majors in Chinese Language and Literature and minors in International Trade. Mr Hu was the manager of the import and export division of Zhejiang Dongfang Group and the deputy general manager of Zhejiang Ju Neng Dongfang Holdings Company Limited. Mr. Hu joined the Company in February 2004.

Mr. Xia Zhen Hai, aged 35, graduated with a PhD degree in engineering from Zhejiang University. He is also now the senior member of International Financial Management Association. From 2001 to 2005, Mr. Xia served at the Shanghai office of JS Cresvale Securities International Limited. From 2005 to 2007, he was the representative of Samsung Securities Co. Ltd., Shanghai office. Mr. Xia is now the legal representative and executive director of the Shanghai Longtail Investment Management Co., Ltd. Mr. Xia was appointed as an executive director in September 2007.

Independent non-executive directors

Mr. Zhang De Xin, 78, graduated from the faculty of Electrical & Mechanical Engineering at Zhejiang University in July 1953 and at Tsing Hua University in June 1956 respectively. He attended Illinois Institute of Technology in the United States from June 1982 to May 1984 to conduct research in the fields of Electrical & Mechanical as well as Computer Engineering. Professor Zhang has served as a professor at Zhejiang University's faculties of Electrical & Mechanical Engineering, Wireless Engineering and Computer Science for 37 years since 1956. He has also been a committee member of Zhejiang Political Consultative Conference for two terms in 1988 and 1993. Moreover, Professor Zhang has been involved in numerous research projects and studies in computing networks. Professor Zhang is awarded winner of the Zhejiang Province Science and Technology Advancement in 1989, 1991 and 1993 for three times. Mr. Zhang joined the Company in October 2001.

Mr. Cai Xiao Fu, 69, is a senior engineer and the chairman of Zhejiang Province Software Industry Association, inspecting and monitoring the development of Zhejiang Province IT industry. Mr. Cai graduated from Tsing Hua University's faculty of Control Automation in July 1963. He attended the Polytechnic of Cranfield in the United Kingdom during October 1981 to January 1984 to research aeronautics and computer simulation devices. Mr. Cai joined the Company in October 2001.

Mr. Gu Yu Lin, 38, graduated from the Faculty of Finance and Accounting of Fudan University in June 1997. Mr. Gu is an assistant accountant. Mr. Gu is currently working in the general office of Zhejiang University. He has been the independent supervisor of the Company before and was appointed as an independent non-executive director since September 2004. Mr. Gu is the chairman of the audit committee of the Company.

Directors, Supervisors and Senior Management (Cont'd)

SUPERVISORS

Supervisors

Mr. Huo Zhong Hui, 38, graduated with a master degree in the faculty of Computer Software in Zhejiang University. He is now engaged in the fields of research and technology. Mr. Huo joined the Company in March 1999. Mr. Huo is the chairman of the supervisory committee of the Company.

Mr. Zheng Bing, aged 38, graduated from the School of Computer and Control Engineering of Daqing Petroleum Institute and furthered his study at the graduate school of the School of Electronic and Information Engineering as well as the School of Communication Engineering of Huazhong University of Science & Technology. Mr. Zheng was the manager of the development department of Wuhan Dongfang High Technology Research Institute from 1997 to 1999 and has been rendering his service in relation to procedures development and project management for the Company since 2000.

Ms. Xue Yun, aged 43, received a bachelor degree and a master degree of economics from Xiamen University in 1986 and 1988 respectively. She was a teacher at the School of Accounting of the Xiamen University from September 1986 to July 1988, the financial supervisor of the finance department of Xiamen United Development (Group) Co., Ltd. from September 1991 to March 1993, the finance manager of Huatong International China Merchants Group Company Limited from March 1994 to January 2001 and the financial controller of Huatong International China Merchants Group Company Limited from January 2002 up to now.

Independent supervisors

Mr. Feng Pei Xian, 71, graduated from Dong Kung College. He was the assistant chief engineer of the 52nd Research Officer of Ministry of Information Industry of the Research Institute and Chief Editor of "External Computer Equipment". Mr. Feng is now the Chief Secretariat of the Zhexiang Computer User Association and senior reporter of the China Computer News in Zhexiang. Mr. Feng joined the Company in April 2001.

Mr. Wang Hui, 34, graduated from the Zhejiang Finance Institute in Professional Auditing and was admitted as a PRC Certified Public Accountant. He is currently the senior project manager of Zhejiang Zhonghui Certified Public Accountants. Mr. Wang Hui joined the Company in September 2004.

Directors, Supervisors and Senior Management (Cont'd)

SENIOR MANAGEMENT

Ms. Liu Qiao Ping, 35, is the Company's chief executive officer. Ms. Liu graduated from the University of Petroleum and is a graduate in master of business administration from the famous Central European International Industrial & Commercial Institute. Ms. Liu has been long-termed engaged in fields such as corporate administration, human resources, government relations, corporate governance and group management, etc. She has attained extensive experience with merit achievements. Ms Liu joined the Company in April 1998.

Mr. Jin Lian Fu, 62, vice president of the Company, is responsible for administrative management and project management. Mr. Jin graduated from the faculty of Applied Mathematics of Zhejiang University. He is also an associate professor and an advisor to master degree undergraduates at Computing faculty of Zhejiang University. Mr. Jin joined the Company in May 1997.

Mr. Wang Lin Hua, 33, is the Company's financial controller and vice president, is responsible for the whole spectrum of corporate finance. Mr. Wang graduated from the Xian University of Finance and Economics in Accounting, and is a graduate in master of professional accounting in Zhongnan University of Economics and Law, and he has many years of experience in corporate finance management. Mr. Wang joined the Company in January 2008.

Mr. Wang Yong Gui, 34, is the secretary to the board of directors and vice president of the Company. He graduated from the Institute of Managerial Economics in the Industrial University of Shenyang, with a specialized bachelor's degree in the International Finance. He has abundant experience in coporate governance of listed company and investment and financing. Mr. Wang had worked in the securities department of Wafangdian Bearing Company Limited. Mr. Wang joined the Company in July 2002.

Mr. Gao Zhan, aged 39, is the vice president of the Company and general manager of 浙江蘭創通信有限公司. Mr. Gao graduated from the Department of Electronic Engineering of Hanzhou Institute of Electronic with a bachelor's degree in radio technology. Mr. Gao has been in the areas of data service and telecommunication value-added service for many years and has extensive experiences in planning, operation, management and market operation of broadband data service and value-added business. Mr. Gao joined the Company in April 2005.

Ms. Chan Ching Yi, Yvonne, 34, is the qualified accountant and company secretary of the Company. Miss Chan is the fellow member of the Association of Chartered Certified Accountants and has over 10 years of experience in auditing and accounting fields. Ms. Chan joined the Company in September 2002.

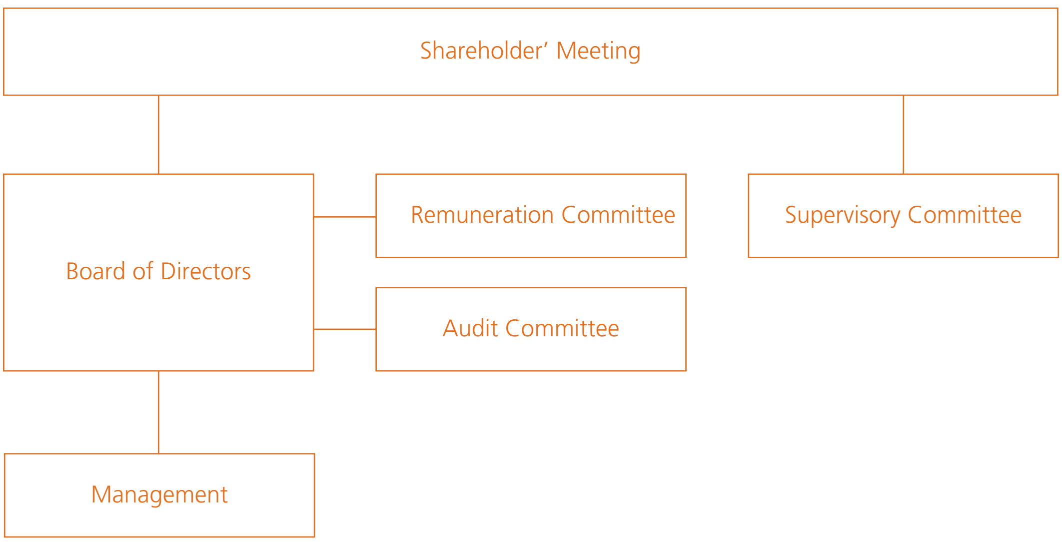
Corporate Governance Report

During the report period, the Company pursues the company mission of honesty and diligence so as to ensure that the Company can develop stablely. The Company is devoted to advance the Company's operation more in both transparent and systematic ways, and establish a proper system of corporate governance which is in compliance with PRC Company Laws and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") and Appendix 15 to the GEM Listing Rules "Code of Corporate Governance Practices" (the "Code"). The Company undertakes to refrain from spoiling the shareholder's interests and company's value.

In the period, the Company ensures to keep conducts pursuant to the Code and put the principles on daily management system into application. The Company also amended and supplemented the Rules and Regulations of Shareholders Meetings, Rules and Regulations of Board Meetings and the Rules and Regulations of Supervisory Meetings. The amendment scope included protection on beneficiary interests of the Shareholders, the proceedings at Board Meeting and voting procedures and investor relations, etc.

SUMMARY OF CORPORATE GOVERNANCE STATUS

The following is management structure of the Company:



Corporate Governance Report (Cont'd)

Set out below is a summary of the Company's corporate governance status as compared to provision of the Code:

Code		**Status of Company's Corporate Governance**
A.	**Director**	
A.1	Board of directors	The Company's Board assumes responsibility for leadership and control the Company.
	A.1.1	During report period, seven Board meetings were held altogether. The attendance of directors was as follows:

	Number of meetings attended/ number of meetings held
Executive director	
Chen Ping *(Chairman)*	8/8
Shi Lie	7/8
Chao Hong Bo	6/8
Geng Hui	8/8
Hu Yang Jun	5/8
Xia Zhen Hai	6/8
Independent non-executive director	
Zhang De Xin	7/8
Cai Xiao Fu	8/8
Gu Yu Lin	6/8

A.1.2	The Company sets up the office of Board secretary, which irresponsible for preparing the matters of Board of directors. So the proposed agenda of Board meetings will solicit and collect director's opinion in advance. This guarantees all directors have an opportunity to put forward any topic.
A.1.3	The Company observes requirement of the Code, gives 14 days notice of periodic Board meeting, the time of meeting, the place, topic are sent to every director, through fax and post and the director signs for the receipt.

Corporate Governance Report (Cont'd)

	A.1.4	The Board secretary and directors have established effective connection, the former offered one's own specialized suggestion, for directors' reference.
	A.1.5	All minutes are filed and preserved, available for the directors' and relevant personnel's consulting at any time.
	A.1.6	Matters arised in the meeting and opinions from directors are recorded and are further confirmed in written form for future reference.
	A.1.7	If director needs to consult the opinion of independent professional firms, its expenses are undertaken by the Company.
	A.1.8	If the topic relates to a director and substantial shareholder, the involving director and shareholder will not participate in voting.
A.2	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer of the Company are held by two people respectively. It guarantees the rights and accountability is in balance, so that power does not concentrate a personage.
	A.2.1	The office of the Chairman is served by Mr. Chen Ping, whereas the office of the Chief Executive Officer is served by Ms. Liu Qiao Ping. The two positions are based on Articles of Association and the management system of the Company, having carried on the division of the scope of official duty, balance of power and authorization is assumed.
	A.2.2 and A.2.3	The stated items of director's meeting agenda are supported by written materials which will be sent to directors at least 5 days before meeting, the director has an opportunity for sufficient consideration of agenda. The Chairman explains at the meeting in detail.

Corporate Governance Report (Cont'd)

	A.2.4 to A.2.6	The Chairman appoints the secretary of Board of directors to be responsible for agenda, and authorizes director's meeting agenda each time in person to ensure the effective operation of the Board. The Chairman puts into the affairs of the Board with full strength and set up proper governance procedures to ensure the Company's interests.
A.3	Board composition	The members of the Board possess appropriate skills and experience. The independent non-executive director exceeds 1/3 of the Board and can make professional judgment effectively and independently.
	A.3.1	The independent non-executive directors are expressly recorded as such in the Company's communication list.
	A.3.2	There are 3 independent non-executive directors of the Company, exceeding 1/3 of the Board.
A.4	Appointments, re-election and removal	Appointment, re-election of directors need to be approved by shareholders' meetings. The term of each director is three years, and can be re-elected in succession. According to the stipulations of Articles of Association, the Company cannot terminate the office of a director without course. The resignation and termination of a director should need reasonable explanation.
	A.4.1	The Articles of Association stipulates that the terms of all directors are three years and can continue to hold office when re-elected.
	A.4.2	Any director to be appointed for replacing in vacancy must be thereafter elected in the Company's following shareholders' meeting. The Company does not require the rotation of directors in three years. Instead, directors are elected by shareholders' meeting, and can be reappointed.

Corporate Governance Report (Cont'd)

A.5	Director's responsibilities	Each director understands the responsibility and requisite skill for acting as director when appointed. The Company will circulate the update requirements to the directors at the appropriate time, or organizing essential training to them.
	A.5.1	Director appointed by the Company will be arranged with director's training, so that responsibility and obligation are made known to director.
	A.5.2	The three non-executive directors have the opportunity to offer their professional, independent suggestion to the Company, and supervise Company's daily operation.
	A.5.3	In the report period, every director of the Company put into more energy in the affairs of the Company actively, commit one's duty perseveringly.
	A.5.4	The Company adopts the required standard of dealings to bind on directors. The same standard applies also to supervisors and senior executives. After the Company's inquires, directors, supervisors and senior executives confirmed that they complied with the required standard of dealings.
A.6	Supply of and access of information	The Company offers essential and sufficient information to directors in time, so that they have sufficient time to consider and understand situation under which decision is to be made.
	A.6.1	Meeting documents are sent to every director 5 days before the meeting.
	A.6.2	Before meeting, intact and reliable meeting materials are provided which leads the director to make the decision when fully understanding the situation. Directors can further inquire about the details at the same time.
	A.6.3	Directors have the right to consult the documents of Board and relevant materials. The Company will respond in time to the inquiry of directors.

Corporate Governance Report (Cont'd)

B. Remuneration of directors and senior executive	The remunerations of the executive directors and senior management, who receives payments from the Company, are based an annual salary system. Other directors receive their remunerations from other entities.
B.1.1	The Company sets up the remuneration committee, make concrete scope of its job duty. The committee is comprised by Mr. Cai Xiao Fu, Mr. Gu Yu Lin, and Mr. Shi Lie. Among them, Mr. Cai Xia Fu and Mr. Gu Yu Lin are independent non-executive directors. The committee held one meeting during the report period, all committee members attended. In the meeting, they checked and rated the whole present salary level of the Company.
B.1.2	Remuneration committee will convene proper meeting for discussion and seek the opinion of Chairman and Chief Executive Officer.
B.1.3 and B.1.4	Scope of official duty of remuneration committee of the Company accords with the Code. Details can be referred to the proceeding regulations of the Company's remuneration committee.
B.1.5	Remuneration committee has the right to review the salary system of the Company and associated documents.

Corporate Governance Report (Cont'd)

C. Accountability and Audit

C.1 Financial Reporting

C.1.1 The management submits financial information such as business plan, financial budget, final financial statements, etc. to the Board regularly, for the directors to review.

C.1.2 Directors know their responsibility of preparation of the financial statements.

C.1.3 Announcement issued by the Company were approved by directors.

C.2 Internal controls

C.2.1 During report period, the Board holds one meeting to appraise the validity of control inside the Company in an all-round way, supervisors and part of the senior executives seat in the meeting. The meeting confirmed that the procedures of internal control inside the Company is legally compliant and effective.

C.2.2 The Board's annual review for the year ended 31 December 2009 will further cover the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget pursuant to the new code provision C.2.2 in the Code which came into effect on 1 January 2009.

C.3 Audit Committee

C.3.1 Minutes are prepared by the secretary of the Board, and are signed and confirmed by the members of audit committee.

C.3.2 Audit committee is made up of three independent non-executive directors, and none of them was a partner of any of the previous auditors.

C.3.3 and C.3.4 Audit committee shows the clear scope of official duty, is open for investor's inquiring of the Company.

C.3.5 In report period, audit committee recommend SHINEWING (HK) CPA Limited as the auditors of the Company, and got the approval of the Board.

C.3.6 Audit committee has the right to access to Company resources, so as to ensure it exercises authority. Relevant expenses are paid by the Company.

Corporate Governance Report (Cont'd)

D. Delegation by the board

D.1 Functions of management of the Board

D.1.1 and D.1.2	The duties of the Board are based on the requirement of the Company Law. Every committee follows and exercises authority in its authorized range. The management exercises its right according to the requirement of the Company Law.

D.2 Board committees

D.2.1 and D.2.2	The Company sets up audit committee, remuneration committee, all having clear scope of official duty. All decisions and suggestions made by the committees have to be approved by the Board, unless there are legal or regulatory restrictions on their ability to do so.

E. Communication with shareholder

E.1.1	The Chairman is responsible for chairing shareholders' meeting, each of matters to be considered independently at the meeting will be voted separately.
E.1.2	In the annual general meeting, the chairmen of audit committee and remuneration committees are arranged to attend, all directors, supervisors and senior executives will seat in the meeting.

E.2 Voting by poll

E.2.1 & E.2.2 & E.2.3	The Company states clearly in the relevant circular that sends to the shareholders, in accordance with the requirements of Rule 17.47(4) of GEM Listing Rules, the voting procedure. Voting will be conducted with written documents to ensure proper recording. There is assigned personnel that counts the voting results at the meeting, and the vote proportion of each draft resolution is announced by the Chairman finally.

Corporate Governance Report (Cont'd)

DIRECTOR'S TRANSACTION IN SECURITIES

The Company has adopted the "Compulsory Transaction Guidelines Standards" to bind the directors. The standards are also applicable to supervisors and senior management level. Having enquires by the Company, all directors, supervisors and senior management confirmed that they have complied with the "Compulsory Transaction Guidelines Standards" in the year.

BOARD OF DIRECTORS

The current Board was appointed in the Extraordinary General Meeting held on 12 October 2007. Nine directors were appointed and entered into a three year service agreement with the Company with the provision of re-election for appointment.

The current members of the Board include:

Executive directors

Mr. Chen Ping *(Chairman)*
Mr. Shi Lie
Mr. Chao Hong Bo
Ms. Geng Hui
Mr. Hu Yang Jun
Mr. Xia Zhen Hai

Independent non-executive directors

Mr. Zhang De Xin
Mr. Cai Xiao Fu
Mr. Gu Yu Lin

Pursuant to Rule 5.09 of GEM Listing Rules, during the report period, each of the existing three independent non-executive directors, being Mr. Zhang De Xin, Mr. Cai Xiao Fu and Mr. Gu Yu Lin, had provided a confirmation of their independence to the Company confirming that there were no circumstances which might affect their qualification to service as the Company's independent non-executive directors. The Company considers that its three independent non-executive directors are independent.

For the year 2008, the remuneration of directors of the Company mainly comprised of basic salaries. Details of directors' remuneration are as follows:

Name of Directors	Remuneration (RMB'000)	Directors' fees (RMB'000)
Chen Ping *(Chairman)*	22	–
Shi Lie	22	–
Chao Hong Bo	22	–
Geng Hui	22	–
Hu Yang Jun	22	–
Xia Zhen Hai	22	–
Zhang De Xin	–	22
Cai Xiao Fu	–	22
Gu Yu Lin	–	22

AUDIT COMMITTEE

The Company established an audit committee upon listing and stipulates duty and accountabilities in compliance with the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The main duty of the audit committee is to audit and to provide supervision over the financial reporting process and internal control system of the Company. The audit committee comprises three independent non executive directors, with Mr. Gu Yu Lin, who possesses the requisite professional qualification and financial experience, as the chairman. Mr. Zhang De Xin and Mr. Cai Xiao Fu are members of the audit committee.

During the year, the audit committee convened five meetings and reviewed the final results for the year 2007, first three quarterly results for the year 2008 and the disposal transaction involving 浙江天信科技發展有限公司.The audit committee also discussed and communicated with the auditors in relation to the financial positions and internal audit of the Company.

The following are the details of the audit committee meetings in the year:

Audit Committee Members	Number of meetings attended/ number of meetings held
Gu Yu Lin	5/5
Zhang De Xin	5/5
Cai Xiao Fu	5/5

An audit committee meeting is held on 27 March 2009 to consider and discuss the results, financial conditions, principal accounting and internal audit affairs for the year ended 31 December 2008. Questions focused on auditor's report are asked on relevant financial officers.

REMUNERATION COMMITTEE

According to relevant rules of the Code, the Company has established the remuneration committee. The remuneration committee comprises Mr. Gu Yu Lin, Mr. Cai Xiao Fu, and Mr. Shi Lie. Among them the portion of independent non-executive directors accounts for 2/3. The remuneration committee has made up accountabilities and is responsible for the determination of the whole remuneration policy and system of the Company, and the remuneration standard of the director and senior executive. It supervises and fosters the Company to comply with those relevant PRC social insurances schemes and policies of community funds. The remuneration committee will combine the result of appraisal of the Company's achievement, to re-assess the Company's remuneration level and individual salary standard of the employees.

Corporate Governance Report (Cont'd)

NOMINATION COMMITTEE

The recommended best practices of the Code A.4.4, requires that "Issuers should establish a nomination committee. A majority of the members of the nomination committee should be independent non-executive director". However, the Company has not set up a nomination committee. Present terms of appointment of directors are generated according to the Articles of Association, which stipulates the terms of appointment and duties of directors clearly. Furthermore, the Company is now actively considering the setting up of a nomination committee so that the recommended best practices can be followed.

AUDITORS' REMUNERATION

During the year, the Group incurred approximately RMB458,000 for remunerations in respect of audit services provided by the Company's auditors.

COMMUNICATIONS BETWEEN SHAREHOLDERS AND INVESTORS

In respect of enquires raised from investors, the Company always feedback based on the rationale of transparency and accountability. The Company provides an investor column concerned to investors for questions feedback in the Company's website and has designated persons to answer investors' enquiries.

On behalf of the Board
Chen Ping
Chairman

27 March 2009
Hangzhou, the PRC

Report of the Directors

The Board is pleased to present its annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of telecommunication solutions, trading of hardware and computer software, provision of telecommunication value-added services and investment holding. The businesses of the Company's subsidiaries are set out in note 35 to the consolidated financial statements.

An analysis of the Group's turnover and loss for year on business segment activities basis has been set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2008 and its state of affairs as at that date are set out in the consolidated financial statements on pages 37 to 85 of the annual report.

The Board does not recommend the payment of a final dividend and other appropriations for the year.

PROFIT AVAILABLE FOR DISTRIBUTION

At 31 December 2008, the Group did not have profit available for distribution to equity holders of the Company (2007: RMB: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the consolidated financial statements.

Report of the Directors (Cont'd)

BORROWINGS AND INTERESTS CAPITALISATION

The Group did not neither have bank loans nor capitalized any interest during the year.

SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the consolidated financial statements.

RESERVES

Details of the reserves of the Group are set out in the consolidated financial statements on pages 37 to 85 of the annual report.

RETIREMENT PLAN

Details of the retirement benefit schemes of the Group are set out in note 34 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for approximately 75% of the Group's turnover and the largest customer of the Group accounted for approximately 32% of the Group's turnover for the year.

The five largest suppliers of the Group in aggregate accounted for approximately 61% of the Group's direct purchases and the largest supplier of the Group accounted for approximately 36% of the Group's direct purchases for the year.

None of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any interest in any of the five largest customers and five largest suppliers of the Group for the year ended 31 December 2008.

FINANCIAL SUMMARY

A summary of the Group's results for each of the five years ended 31 December 2008 and the Group's assets and liabilities as at 31 December 2004, 2005, 2006, 2007 and 2008 is set out on page 86 of the annual report.

DIRECTORS AND SUPERVISORS

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

Executive directors

Mr. Chen Ping *(Chairman)*
Mr. Shi Lie
Mr. Chao Hong Bo
Ms. Geng Hui
Mr. Hu Yang Jun
Mr. Xia Zhen Hai

Independent non-executive directors

Mr. Zhang De Xin
Mr. Cai Xiao Fu
Mr. Gu Yu Lin

Supervisors

Mr. Huo Zhong Hui
Mr. Zheng Bing
Ms. Xue Yun

Independent supervisors

Mr.Feng Pei Xian
Mr. Wang Hui

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

An Extraordinary General Meeting was held on 12 October 2007 for re-elections and appointment of directors and supervisors. Nine directors and five supervisors were appointed. Each appointed director and supervisor has entered into a three year service agreement with the Company until 11 October 2010.

All appointments are subject to termination in certain circumstances as stipulated in the relevant service agreement. In the event that the appointment of the director or supervisor is terminated in the annual general meeting of the Company without any reason, the relevant director or supervisor may claim for compensation form the Company.

Saved as disclosed above, none of the directors nor supervisors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment other than statutory compensation.

Report of the Directors (Cont'd)

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the directors, supervisors and senior management are set out on pages 10 to 13 of the annual report.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

Details of the Directors' and supervisors' remuneration and that of the highest paid employees are set out in notes 8 and 9 to the consolidated financial statements.

DIRECTORS' SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2008, none of the directors, supervisors or chief executives had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFC")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange:

Long position in shares

Name	Type of interests	Capacity	Number of domestic shares held	Percentage of beneficial interests in the Company's share capital
Director				
Chen Ping	Personal	Beneficial owner	36,392,320	10.21%
Chief Executive Officer				
Liu Qiao Ping	Personal	Beneficial owner	10,235,340	2.87%

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Save as disclosed herein, during the year ended 31 December 2008, none of the directors, supervisors or chief executives was granted options to subscribe for shares of the Company. As at 31 December 2008, none of the directors, supervisors or chief executives or any of their spouses and children under 18 years of age had any interest in, or had been granted any interest in, or had been granted, or exercised, had any rights to subscribe for shares (or warrants or debentures, if applicable) or to acquire shares of the Company.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company and their respective associates (as defined under the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") had any interest in a business which competes or may compete with the business of the Group.

INTEREST DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any directors, supervisors or chief executives, as at 31 December 2008, no persons or companies (other than the interests as disclosed above in respect of the directors) who had equity interests or short positions in the shares or underlying share of the Company which would fall to be disclosed under Division 2 and 3 or Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; or who were substantial shares as recorded in the register maintained under section 336 of the SFO:

Report of the Directors (Cont'd)

Long position in shares

Shareholder	Capacity	Number of shares held	Percentage of beneficial interests in the Company's share capital
Insigma Technology Co. Ltd	Beneficial owner	81,802,637 Domestic Shares	22.94%
Shanghai Longtail Investment Management Co., Ltd.	Beneficial owner	34,117,808 Domestic Shares	9.57%
Guoheng Shengxing Media Science Group Company Limited	Beneficial owner	34,117,800 Domestic Shares	9.57%
Fong For	Beneficial owner	21,735,000 H Shares	6.10%
Wu Zhong Hao	Beneficial owner	16,490,280 Domestic Shares	4.63%
Shi Chun Hua	Beneficial owner	7,235,812 Domestic Shares	2.03%

On 23 July 2007, the Company's four shareholders, namely Mr. Shi Chun Hua, Mr. Wang Jin Cheng, Mr. Chen Chun and Mr. Huo Zhong Hui, had respectively entered into the sale and purchase agreements (the "S&P Agreements") with a subscriber, Shanghai Longtail Investment Management Co., Ltd. (the "Subscriber"). Pursuant to the S&P Agreements, the shareholders concerned agreed to sell and the Subscriber agreed to purchase an aggregate of 17,148,638 shares of the Company.

On 23 July 2007, the Company also entered into the capital increase and subscription agreement (the "Subscription Agreement") with the Subscriber. Pursuant to the Subscription Agreement, the Company agreed to (i) increase its registered share capital from RMB33,957,700 to RMB35,654,617; and (ii) allot and issue 16,969,170 shares to the Subscriber at a price of RMB0.37 per share.

The above-mentioned shares transfer and subscription had been approved by the Ministry of Commerce and Zhejiang Province Industrial and Commercial Administrative Management Bureau (浙江省工商行政管理局) during the year. For details, please refer to the announcement issued by the Company dated 17 December 2008.

RELATED AND CONNECTED PARTY TRANSACTIONS

During the year, the Group had the following connected transactions, certain details of which were disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

1. On 4 July 2006, the Company entered into the agreement with Zheda Insigma Group Co. Ltd. ("Insigma Group") and Zheda University Innovation Tuling Information Technology Company Limited ("Zheda Tuling"), pursuant to which the Company agreed to provide Zheda Tuling with a guarantee for the maximum amount of RMB50,000,000 to secure Zheda Tuling's obligations in respect of its bank facilities and, in return, Insigma Group agreed to provide the Company with a guarantee for the maximum amount of RMB60,000,000 to secure the Company's obligations in respect of its bank facilities. As at the balance sheet date, Zheda Tuling had not utilized its banking facilities and no guarantee was provided by the Company pursuant to the above-mentioned arrangement.

2. On 11 December 2006, the Company entered into agreements and contracts with, inter alia. Zhejiang Sichuang Information Technology Co., Ltd. ("Sichuang") and Mr. Chen Ping (the "Sichuang Restructure Agreements"), pursuant to which the Company would transfer all of its 90% equity interest in Sichuang to Mr. Chen Ping at RMB27,000,000. The Company was granted the right to acquire 90% equity interest in Sichuang in the future. Sichuang would still be regarded as a 90% owned subsidiary of the Company upon the completion of the above reorganisation. The reorganisation of Sichuang would not cause monetary gain or loss to the Company, nor had any significant impact on consolidated financial statements of the Company. This transaction was to ensure Sichuang meeting the required qualification of a value-added telecommunications business operator. The transaction was approved at the general meeting held on 23 November 2007. During the year, no service fees under the Sichuang Restructure Agreements were paid or payable by Sichuang to the Company.

3. On 20 December 2007, the Company entered into an agreement with Mr. Jin Lian Fu ("Mr.Jin") and other shareholders of Zhejiang Lan Chuang Information Co. Ltd. (浙江蘭創通訊有限公司) ("Lan Chuang"), pursuant to which, the shareholders would increase their capital contribution in an aggregate amount of RMB5,000,000 in proportion to their respective shareholdings. Pursuant to the framework agreement entered into between the Company and Mr. Jin, the Company beneficially owns a 85% equity interest of Lan Chuang. To complete the procedures required for the capital increase, the Company agreed to provide Mr. Jin a loan of RMB4,250,000 with nil interest for injecting capital into Lan Chuang by Mr. Jin. The transaction was approved at the general meeting held on 29 February 2008.

Other than the above-mentioned connected transactions, the balances with related parties and other related party transactions are disclosed in note 33 to the consolidated financial statements.

SHARE OPTION SCHEME

Pursuant to the Company's conditional share option scheme conditionally approved by a resolution of the shareholders of the Company dated 20 April 2002 (the "Share Option Scheme"), the Company may grant options to any employees (including directors) of the Company or its subsidiaries as incentive or rewards for their contribution to the Group to subscribe for the H Shares in the Company for a non-refundable consideration of HK$1 for each lot of share options granted payable on acceptance of the option offer. The Share Option Scheme will remain valid for a period of ten years commencing on the date it becomes unconditional. Options granted are exercisable at any time not more than ten years from the date of grant of the options. The subscription price is not less than the higher of (a) the closing price of the Company's H Shares as quoted on the date of the grant of the options, (b) the average closing prices of the Company's H Shares for the five business days immediately proceeding the date of the grant of the options and (c) the nominal value of the H Shares. However, for employees who are PRC national and have taken up any options to subscribe for the Company's H Shares, they shall not be entitled to exercise the options until:

(1) The current restrictions imposed by the relevant PRC laws and regulations restricting PRC national from subscribing for and dealing in H Shares or any laws and regulations with similar effects have been abolished or removed; and

(2) The China Securities Regulatory Commission or other relevant government authorities in the PRC have approved the new issue of H Shares upon the exercise of any options which may be granted under the Share Option Scheme.

The total number of H Shares subject to the Share Option Scheme and other share option schemes must not, in aggregate, exceed 30% of H Shares of the Company (or its subsidiaries) in issue from time to time.

The total number of H Shares available for issue under options granted under the Share Option Scheme and any other scheme must not, in aggregate, exceed 10% of the number of the H Shares of the Company (or its subsidiaries) in issue as of the date of approval of the Share Option Scheme. The Company may seek approval from shareholders in general meeting for renewing the 10% limit or for granting further options beyond the 10% limit, provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before such approval in sought.

No option had been granted by the Company under the Share Option Scheme since its adoption.

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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2008.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the Company's Articles of Association.

AUDIT COMMITTEE

The Company established an audit committee in November, 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review the Group's annual report and accounts, half-year report and quarterly reports and provide advice and comments thereon to the Board and to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive directors, Mr. Gu Yu Lin, Mr. Zhang De Xin and Mr. Cai Xiao Fu whereas Mr. Gu Yu Lin is the chairman. During the year, the audit committee reviewed the first quarterly report, half-year report, the third quarterly report of the Group for the year 2008 and the annual report of the Group for the year 2007. The audit committee also reviewed the annual report of the Group for the year 2008.

AUDITORS

During the year, SHINEWING (HK) CPA Limited was reappointed as auditors of the Company.

On behalf of the Board
Chen Ping
Chairman

27 March 2009
Hangzhou, the PRC

Report of the Supervisory Committee

The Supervisor Committee is pleased to present the annual report for the year of 2008.

SUPERVISORY COMMITTEE OPERATION REVIEW

In the year, the supervisors of the Company convoked four meetings to review the quarterly results and the audited annual financial statements and attended every board meeting held.

During the year, the Supervisory Committee has examined the legitimacy and validity, pursuant to the investiture of the shareholders' meeting and Articles of Association, upon convocation and voting procedures of meetings of the Board. They inspected whether the resolutions passed by Board correspond with the PRC laws and the stipulations of Articles of Association or not, and adduced feasible proposals. The Supervisory Committee considered that the convocation and the voting procedures of the Board meetings correspond with the PRC laws and Articles of Association. The shareholders' meeting's resolution can be executed effectively. The Supervisory Committee can obtain the respect and its suggestions were accepted.

FINANCIAL POSITION OF COMPANY

In the year, the Supervisory Committee has supervised and inspected the operating results of the Company. It is considered that the report issued by the auditors presents truly, precisely and fairly the operating results of the Group. The consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards and the PRC Accounting Regulations, and has compiled with PRC statutory regulations correlated with accounting matters.

INTEGRITY OF AVOCATION OF DIRECTORS AND SENIOR MANAGEMENT

In the year, the Supervisory Committee executed its obligations and supervised on the integrity of avocation of the Board and senior management, in order to raise the Board's and senior management's onus to perform their duties with good faith and due diligence, and avoid the operational risk incurable to the Group because of personal fault.

During the year, the Supervisory Committee inspected and found that the Board and the managers did not violate China laws, regulations, and Articles of Association when executing their duties, and there was no occurrence of impairment to shareholders' benefit either.

By order of the Supervisory Committee
Huo Zhong Hui
Chairman of the Supervisory Committee

27 March 2009
Hangzhou, the PRC

Independent Auditor's Report

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

TO THE SHAREHOLDERS OF
ZHEDA LANDE SCITECH LIMITED
浙江浙大網新蘭德科技股份有限公司
(established as a joint stock limited company in the People's Republic of China)

We have audited the consolidated financial statements of Zheda Lande Scitech Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 85, which comprise the consolidated balance sheet as at 31 December 2008, 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 CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report (Cont'd)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
27 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Turnover	7	**121,547**	131,442
Cost of sales		**(76,489)**	(88,964)
Gross profit		**45,058**	42,478
Other operating income		**15,513**	10,951
Distribution and selling expenses		**(9,926)**	(12,795)
General and administrative expenses		**(56,655)**	(51,509)
Finance costs	10	**–**	(2,781)
Share of results of associates	18	**(379)**	901
Loss before taxation		**(6,389)**	(12,755)
Taxation	11	**(515)**	(1,232)
Loss for the year	12	**(6,904)**	(13,987)
Attributable to:			
Equity holders of the Company		**(7,356)**	(12,856)
Minority interests		**452**	(1,131)
		(6,904)	(13,987)
Dividend	13	**–**	–
Loss per share			
Basic	14	**RMB(0.022)**	RMB(0.038)

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	15	**6,285**	10,133
Intangible assets	16	**317**	6,799
Goodwill	17	**956**	3,484
Interests in associates	18	**–**	2,221
Other non-current assets		**–**	328
		7,558	22,965
Current assets			
Inventories	19	**–**	505
Contract work in progress		**–**	1,431
Amounts due from customers for contract work	20	**1,349**	–
Trade receivables	21	**39,761**	35,185
Prepayments and other receivables	22	**57,245**	104,467
Amounts due from associates	33	**–**	1,288
Bank balances and cash	23	**25,428**	13,955
		123,783	156,831
Current liabilities			
Trade and other payables	24	**29,018**	71,834
Receipt in advance from customers		**919**	1,204
Amount due to a director	25	**–**	3,098
Current tax liabilities		**2,418**	2,432
		32,355	78,568
Net current assets		**91,428**	78,263
NET ASSETS		**98,986**	101,228
Capital and reserves			
Paid-in capital	26	**35,655**	33,958
Reserves	27	**50,576**	53,350
Equity attributable to the equity holders of the Company		**86,231**	87,308
Minority interests		**12,755**	13,920
TOTAL EQUITY		**98,986**	101,228

The consolidated financial statements on pages 37 to 85 were approved and authorised for issue by the Board of Directors on 27 March 2009 and are signed on its behalf by:

CHENG PING
Director

XIA ZHEN HAI
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company						
	Paid-in capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007	33,958	71,988	10,567	(16,349)	100,164	15,789	115,953
Loss for the year	–	–	–	(12,856)	(12,856)	(1,131)	(13,987)
Disposal of subsidiaries	–	–	–	–	–	(1,488)	(1,488)
Capital contributions from minority shareholders	–	–	–	–	–	750	750
At 31 December 2007	33,958	71,988	10,567	(29,205)	87,308	13,920	101,228
(Loss) profit for the year	–	–	–	(7,356)	(7,356)	452	(6,904)
Disposal of subsidiaries	–	–	–	–	–	(2,668)	(2,668)
Partial disposal of a subsidiary	–	–	–	–	–	551	551
Issue of shares	1,697	4,582	–	–	6,279	–	6,279
Capital contributions from minority shareholders	–	–	–	–	–	500	500
At 31 December 2008	35,655	76,570	10,567	(36,561)	86,231	12,755	98,986

Consolidated Cash Flow Statements

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000
OPERATING ACTIVITIES		
Loss before taxation	**(6,389)**	(12,755)
Adjustments for:		
Amortisation of intangible assets	**1,547**	3,838
Bad debts recovered on trade and other receivables	**(4,041)**	–
Depreciation of property, plant and equipment	**2,920**	3,390
Finance costs	**–**	2,781
Gain on partial disposal of a subsidiary	**(149)**	–
(Gain) loss on disposal of subsidiaries	**(2,974)**	186
Impairment loss on intangible assets	**–**	337
Impairment loss on trade and other receivables	**7,338**	9,195
Impairment loss on property, plant and equipment	**–**	583
Impairment loss on other non-current assets	**328**	–
Interest income	**(160)**	(436)
Loss (gain) on disposal of interests in associates	**632**	(1,582)
Loss (gain) on disposal of property, plant and equipment	**104**	(1,054)
Loss on disposal of available-for-sales investments	**–**	56
Write back of impairment loss on trade and other receivables	**(3,600)**	–
Reversal of write down of inventory	**(2,404)**	–
Share of results of associates	**379**	(901)
Write down of inventories to net realisable value	**–**	1,439
Operating cash flows before movements in working capital	**(6,469)**	5,077
Decrease in inventories	**2,399**	157
Decrease in contract work in progress	**1,431**	7,997
Increase in amounts due from customers for contract work	**(1,349)**	–
(Increase) decrease in trade receivables	**(24,318)**	4,449
Decrease (increase) in prepayments and other receivables	**37,928**	(1,876)
Decrease (increase) in amounts due from associates	**1,288**	(39)
Decrease in other non-current assets	**–**	23
(Decrease) increase in trade and other payables	**(11,977)**	12,437
Decrease in receipt in advance from customers	**(285)**	(7,996)
Cash (used in) generated from operations	**(1,352)**	20,229
PRC income tax paid	**(529)**	(1,474)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(1,881)**	18,755

Consolidated Cash Flow Statements (Cont'd)

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
INVESTING ACTIVITIES			
Net proceeds from disposal of subsidiaries	*29*	**11,256**	2,377
Repayment from related parties (included in prepayments and other receivables)		**9,824**	9,456
Proceeds from disposal of associates		**1,210**	6,575
Proceeds from partial disposal of a subsidiary		**700**	–
Proceeds from disposal of property, plant and equipment		**342**	2,512
Interest received		**160**	436
Purchase of property, plant and equipment		**(1,241)**	(3,348)
Purchase of intangible assets		**(300)**	(1,838)
Decrease in pledged bank deposits		**–**	12,000
NET CASH FROM INVESTING ACTIVITIES		**21,951**	28,170
FINANCING ACTIVITIES			
(Repayment to) advance from related parties (included in other payables)		**(5,999)**	21,884
Repayment of amount due to a director		**(3,098)**	(756)
Capital contribution from minority shareholders		**500**	750
Receipt in advance for subscription of shares		**–**	6,279
Repayment of bank borrowings		**–**	(76,800)
Decrease in amounts due to minority shareholders		**–**	(1,092)
Interest paid		**–**	(2,781)
NET CASH USED IN FINANCING ACTIVITIES		**(8,597)**	(52,516)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**11,473**	(5,591)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**13,955**	19,546
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**25,428**	13,955

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL

Zheda Lande Scitech Limited (the "Company") was established in the People's Republic of China (the "PRC") as a joint stock company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is principally engaged in the provision of telecommunication solutions, trading of hardware and computer software, provision of telecommunication value-added services, and investment holding. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries (the "Group").

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new IFRSs") issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, which are effective for the Group's financial year beginning 1 January 2008.

IFRIC – INT 11	IFRS 2: Group and Treasury Share Transactions
IFRIC – INT 12	Service Concession Arrangements
IFRIC – INT 14	International Accounting Standard ("IAS") 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their interaction
IAS 39 & IFRS7 (Amendments)	Reclassification of Financial Assets

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Cont'd)

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

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Cost[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items[3]
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards[3]
IFRS 1 & IAS 27 (Amendments)	Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associates[2]
IFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combination[3]
IFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[2]
IFRS 8	Operating Segments[2]
IFRIC – INT 9 & IAS 39 (Amendments)	Embedded Derivatives[6]
IFRIC – INT 13	Customer Loyalty Programmes[4]
IFRIC – INT 15	Agreements for the Construction of Real Estate[2]
IFRIC – INT 16	Hedges of a Net Investment in a Foreign Operation[5]
IFRIC – INT 17	Distribution of Non-cash Assets to Owners[3]
IFRIC – INT 18	Transfers of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009, except the amendments to IFRS 5 which are effective for annual periods beginning on or after 1 July 2009.

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

[3] Effective for annual periods beginning on or after 1 July 2009.

[4] Effective for annual periods beginning on or after 1 July 2008.

[5] Effective for annual periods beginning on or after 1 October 2008.

[6] Effective for annual periods ending on or after 30 June 2009.

[7] Effective for transfers of assets from customers received on or after 1 July 2009.

The directors of the Company anticipate the application of these revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group except for the application of IFRS 3 (Revised) and IAS 27 (Revised). The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill (Cont'd)

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates (Cont'd)

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

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

Revenue recognition

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

(i) Income from provision of telecommunication solutions

Income from provision of telecommunication solutions is recognised based on the stage of completion. The stage of completion is determined by making reference to testing criteria as certified by the customers.

(ii) Income from trading of hardware and computer software

Revenue is recognised when the significant risks and rewards of ownership of the goods are transferred to the customers, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(iii) Income from provision of telecommunication value-added services

Income from provision of telecommunication value-added services is recognised, net of discounts, when an arrangement exists, service is rendered, fixed or determined and collectibility is probable.

(iv) Interest income

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

(v) Subsidy income

Subsidy income is recognised upon cash receipt.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

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

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

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a financial lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets (Cont'd)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognsied as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from associates and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Impairment of financial assets

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

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

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

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

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

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

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

Financial liabilities and equity

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

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

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Effective interest method

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

Interest expenses is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables and amount due to a director are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derecognition

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

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

Leasing

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

The Group as lessee

Rentals payable under operating leases are charged to profit for loss on a straight-line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

All borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payment to state-managed retirement benefit scheme are charged as expenses when employees have rendered service entitled them to the contributions.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimation (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Critical judgements in applying the entity's accounting policies (Cont'd)

Construction contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipated losses are fully provided on contracts when identified. The Group's management estimates the contract revenue, contract costs and foreseeable losses of construction work based on the budgets prepared for the contracts. Because of the nature of the activities undertaken in construction businesses, management reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses, where the actual contract revenue are less than expected or actual contract costs are more than expected, a material impairment loss may arise.

Key sources of estimation uncertainty

The following are the 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.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of goodwill is RMB956,000. Details of the recoverable amount calculation are disclosed in note 17.

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of trade receivables and prepayments and other receivables is RMB39,761,000 (net of impairment loss of RMB16,395,000) and RMB57,245,000 (net of impairment loss of RMB26,059,000), respectively.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

5. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other shareholders, and to provide adequate return to shareholders by pricing products and service commensurately with the level of risks.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising paid in capital, reserves and accumulated losses. The Group's approach to capital management remains unchanged from prior year.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a. Categories of financial instruments

	2008 **RMB'000**	2007 RMB'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**114,110**	143,581
Financial liabilities		
At amortised cost	**25,523**	71,751

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from associates, bank balances and cash, trade and other payables and amount due to a director. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risks

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

(i) *Credit risks* (Cont'd)

The Group's concentration of credit risk by geographical locations is mainly in the PRC. The Group has no significant concentration of credit risk by any single debtor, with exposure spreading over a number of counterparties and customers.

Bank balances are placed in various authorised institutions and directors of the Company consider the credit risk for such is minimal.

(ii) *Currency risk*

The Group's principal businesses are conducted and recorded in RMB. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management.

(iii) *Interest rate risk*

The Group's exposure to interest rate risk is through the impact of rate changes on interest-bearing financial assets and liabilities. Interest bearing financial assets are mainly balances with banks which are all short-term in nature. There were no interest-bearing financial liabilities as at 31 December 2008. The management monitors the movement in market interest rates and reviews such impact on the Group on a continuous basis to ensure that any future variations in interest rate will not have a significant adverse impact on the results of the Group.

Since the Company's exposure to interest rate risk is minimal and no sensitivity analysis has been prepared.

(iv) *Liquidity risk*

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when fall due in the foreseeable future. As at 31 December 2007 and 2008, the other financial liabilities including trade and other payables and amount due to a director of the Group are all due for settlement contractually within one year.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

c. Fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their short-term maturities.

7. TURNOVER AND SEGMENT INFORMATION

Turnover comprises income from provision of telecommunication solutions, trading of hardware and computer software and provision of telecommunication value-added service, net of business tax, rebates and discounts during the year.

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

(a) Primary reporting segment – business segment

The Group comprises the following main business segments:

(i) Provision of telecommunication solutions;

(ii) Trading of hardware and computer software; and

(iii) Provision of telecommunication value-added services.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

7. TURNOVER AND SEGMENT INFORMATION (Cont'd)

(a) Primary reporting segment – business segment (Cont'd)

For the year ended 31 December

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
For the year ended 31 December								
Segment turnover	**22,508**	14,135	**48,033**	61,041	**51,006**	56,266	**121,547**	131,442
Segment results	**(37)**	(5,993)	**(3,314)**	(3,772)	**8,326**	(3,032)	**4,975**	(12,797)
Unallocated revenue							**15,353**	10,515
Unallocated expenses							**(26,498)**	(9,029)
Share of results of associates	**–**	–	**(379)**	183	**–**	718	**(379)**	901
Finance costs							**–**	(2,781)
Interest income							**160**	436
Loss before taxation							**(6,389)**	(12,755)
Taxation							**(515)**	(1,232)
Loss for the year							**(6,904)**	(13,987)
As at 31 December								
Segment assets	**12,811**	9,226	**24,628**	8,720	**8,597**	71,064	**46,036**	89,010
Interests in associates	**–**	57	**–**	596	**–**	1,568	**–**	2,221
Unallocated assets							**85,305**	88,565
Total assets							**131,341**	179,796
Segment liabilities	**6,060**	1,022	**1,344**	978	**3,155**	19,983	**10,559**	21,983
Unallocated liabilities							**21,796**	56,585
Total liabilities							**32,355**	78,568
For the year ended 31 December								
Other segment information:								
Capital expenditures	**167**	560	**191**	110	**933**	4,516	**1,291**	5,186
Unallocated capital expenditure							**250**	–
Total capital expenditure							**1,541**	5,186
Depreciation and amortisation	**331**	3,269	**1,223**	103	**2,901**	3,856	**4,455**	7,228
Unallocated depreciation and amortisation							**12**	–
Total depreciation and amortisation							**4,467**	7,228
Impairment loss on trade and other receivables	**3,720**	1,913	**–**	–	**–**	–	**3,720**	1,913
Unallocated impairment loss on trade and other receivables							**3,618**	7,282
Total impairment loss on trade and other receivables							**7,338**	9,195

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

7. TURNOVER AND SEGMENT INFORMATION (Cont'd)

(a) Primary reporting segment – business segment (Cont'd)

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
For the year ended 31 December								
Write-down of inventories to net realisable value	–	–	–	1,439	–	–	–	1,439
Impairment loss on property, plant and equipment	–	–	–	–	–	583	–	583
Impairment loss on intangible assets	–	–	–	–	–	337	–	337
Unallocated impairment loss on other non-current assets							328	–
Reversal of write down of inventory	(2,404)	–	–	–	–	–	(2,404)	–
Unallocated write back of impairment loss on trade and other receivables							(3,600)	–
Unallocated (gain) loss on disposal of subsidiaries							(2,974)	186
Unallocated gain on partial disposal of a subsidiary							(149)	–
Unallocated loss (gain) on disposal of interests in associates							632	(1,582)
Unallocated bad debt recovered on trade and other receivables							(4,041)	–
Loss (gain) on disposal of property, plant and equipment	7	–	37	–	60	(21)	104	(21)
Unallocated gain on disposal of property, plant and equipment							–	(1,033)
Total loss (gain) on disposal of property, plant and equipment							104	(1,054)

(b) Secondary reporting segment – geographical segment

The Group operates within one geographical segment, the PRC. Accordingly, no geographical segment information is presented.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

8. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The details of directors' remuneration of each of nine (2007: eleven) directors and supervisors' emoluments of each of five (2007: seven) supervisors for the years ended 31 December 2008 and 2007 are set out below:

For the year ended 31 December 2008

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors:				
Mr. Chen Ping	–	22	–	22
Mr. Shi Lie	–	22	–	22
Mr. Hu Yang Jun	–	22	–	22
Mr. Chao Hong Bo	–	22	–	22
Ms. Geng Hui	–	22	–	22
Mr. Xia Zhen Hai	–	22	–	22
Independent non-executive directors:				
Mr. Cai Xiao Fu	22	–	–	22
Mr. Zhang De Xin	22	–	–	22
Mr. Gu Yu Lin	22	–	–	22
Supervisors:				
Mr. Huo Zhong Hui	–	3	–	3
Mr. Feng Pei Xian	–	3	–	3
Mr. Wang Hui	–	3	–	3
Ms. Xue Yun	–	3	–	3
Mr. Zheng Bing	–	3	–	3
Total	66	147	–	213

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

8. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Cont'd)

For the year ended 31 December 2007

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors:				
Mr. Chen Ping	–	–	–	–
Mr. Xue Shi Cheng *(Note 1)*	–	–	–	–
Mr. Shi Lie	–	20	–	20
Mr. Hu Yang Jun	–	20	–	20
Ms. Pan Lichun *(Note 4)*	–	10	–	10
Mr. Chao Hong Bo *(Note 2)*	–	10	–	10
Ms. Geng Hui *(Note 3)*	–	10	–	10
Mr. Xia Zhen Hai *(Note 3)*	–	10	–	10
Independent non-executive directors:				
Mr. Cai Xiao Fu	20	–	–	20
Mr. Zhang De Xin	20	–	–	20
Mr. Gu Yu Lin	20	–	–	20
Supervisors:				
Mr. Huo Zhong Hui	–	3	–	3
Mr. Fu Liang Yuan *(Note 4)*	–	–	–	–
Ms. Liu Cui Yu *(Note 4)*	–	–	–	–
Mr. Feng Pei Xian	–	3	–	3
Mr. Wang Hui	–	3	–	3
Ms. Xue Yun *(Note 3)*	–	3	–	3
Mr. Zheng Bing *(Note 3)*	–	–	–	–
Total	60	92	–	152

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

8. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Cont'd)

Notes:

(1) Resigned on 20 July 2007.

(2) Appointed on 20 July 2007.

(3) Appointed on 20 September 2007.

(4) Resigned on 12 October 2007.

No directors waived any emoluments for the two years ended 31 December 2008.

No incentive payment for joining the Group or as compensation for loss of office was paid or payable to any directors for the two years ended 31 December 2008.

9. EMPLOYEES' EMOLUMENTS

Details of the remuneration of the five highest paid individuals (including directors, supervisors and employees) were as follows:

During the year, the five highest paid individuals do not include directors and supervisors (2007: Nil) of the Company, whose emoluments have been included in Note 8 above. The emoluments of the five (2007: five) individuals were as follows:

	2008	2007
	RMB'000	RMB'000
Salaries and other benefits	**581**	580
Contributions to retirement benefits scheme	**84**	92
	665	672

The emoluments of each of these individuals for the both years were less than RMB1,000,000.

No emoluments were paid to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the two years ended 31 December 2008.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

10. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interest on bank borrowings wholly repayable within five years	–	2,781

11. TAXATION

	2008 RMB'000	2007 RMB'000
The tax charge comprises:		
PRC Enterprises Income Tax ("EIT")		
– current year	397	1,232
– underprovision in prior years	118	–
	515	1,232

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the EIT rate of the Group's certain subsidiaries in the PRC was reduced from 33% to 25% progressively from 1 January 2008.

The Company and certain of its subsidiaries were subject to EIT at rate of 15% (2007: 15%) as they were classified as Advanced and New Technology Enterprise.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries is exempt from PRC EIT for two years from the first profit-making year, followed by a 50% reduction for the next three years.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for the two years ended 31 December 2008.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

11. TAXATION (Cont'd)

The tax charge for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2008 RMB'000	2007 RMB'000
Loss before taxation	(6,389)	(12,755)
Tax at the domestic income tax rate of 15% (2007: 15%)	(958)	(1,913)
Tax effect of expenses not deductible and income not taxable for tax purpose	1,442	670
Tax effect of tax losses not recognised	2,061	2,901
Effect of difference tax rates of subsidiaries	(872)	238
Tax effect of utilisation of tax losses previously not recognised	(314)	(664)
Effect of tax exemption	(962)	–
Underprovision in respect of prior years	118	–
Tax charge for the year	515	1,232

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2008 RMB'000	2007 RMB'000
Salaries and other benefits (including directors' and supervisors' emoluments)	17,374	10,725
Contributions to retirement benefits scheme	3,512	3,594
Total staff costs	20,886	14,319
Amortisation of intangible assets	1,547	3,838
Auditors' remuneration	458	550
Depreciation of property, plant and equipment	2,920	3,390
Impairment loss on property, plant and equipment	–	583
Impairment loss on intangible assets	–	337
Impairment loss on trade and other receivables	7,338	9,195
Impairment loss on other non-current assets	328	–
Loss (gain) on disposal of interests in associates	632	(1,582)
Loss (gain) on disposal of property, plant and equipment	104	(1,054)
Loss on disposal of available-for-sale investments	–	56
Operating lease expense for office premises	2,377	1,318
Research and development costs	11,917	8,860
Share of tax of associates (included in share of results of associates)	–	116
Write down of inventories (included in administrative expense)	–	1,439
Bank interest income	(160)	(436)
Bad debts recovered on trade and other receivables	(4,041)	–
Government grants *(Note 2)*	(742)	(5,799)
Gain on partial disposal of a subsidiary	(149)	–
Reversal of write down of inventories	(2,404)	–
Subsidy income *(Note 1)*	(1,443)	(1,202)
Write back of impairment loss on trade and other receivables	(3,600)	–
(Gain) loss on disposal of subsidiaries	(2,974)	186

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

12. LOSS FOR THE YEAR (Cont'd)

Notes:

1. Pursuant to Guo Fa [2000] No. 18 issued by the State Council, the Company is subject to value-added tax ("VAT") at a rate of 17% on sales of self-developed software, and is granted VAT refund of the amount of actual tax burden exceeding 3% on sales of self-developed software. Included in subsidy income was the VAT refund with an amount of approximately RMB1,443,000 (2007: RMB1,202,000). VAT refund is recorded as income upon receipt.

2. Government grants represented the amount received in the current year towards certain research and development activities.

13. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

14. LOSS PER SHARE

The calculations of the basic loss per share are based on Group's loss attributable to the ordinary equity holders of the Company of approximately RMB7,356,000 (2007: RMB12,856,000) and on the weighted average of 340,507,000 (2007: 339,577,000) shares in issue during the year.

No diluted loss per share has been presented as there were no diluting events existed during the two years ended 31 December 2008.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building	Leasehold improvements	Motor vehicles	Office furniture, fixtures and other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2007	1,492	3,706	2,956	18,420	26,574
Additions	–	115	–	3,233	3,348
Disposals	(1,492)	–	–	(225)	(1,717)
Disposal of subsidiaries	–	–	(320)	(3,749)	(4,069)
At 31 December 2007	–	3,821	2,636	17,679	24,136
Additions	–	30	–	1,211	1,241
Disposals	–	–	(259)	(792)	(1,051)
Disposals of subsidiaries	–	(622)	(231)	(2,493)	(3,346)
At 31 December 2008	**–**	**3,229**	**2,146**	**15,605**	**20,980**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2007	66	3,223	1,435	8,702	13,426
Provided for the year	60	331	297	2,702	3,390
Impairment loss recognised	–	–	–	583	583
Eliminated on disposals	(126)	–	–	(133)	(259)
Eliminated on disposal of subsidiaries	–	–	(226)	(2,911)	(3,137)
At 31 December 2007	–	3,554	1,506	8,943	14,003
Provided for the year	–	178	245	2,497	2,920
Eliminated on disposals	–	–	(125)	(480)	(605)
Eliminated on disposal of subsidiaries	–	(503)	(172)	(948)	(1,623)
At 31 December 2008	**–**	**3,229**	**1,454**	**10,012**	**14,695**
CARRYING VALUES					
At 31 December 2008	**–**	**–**	**692**	**5,593**	**6,285**
At 31 December 2007	–	267	1,130	8,736	10,133

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Depreciation is provided to write off the carrying values of items over their expected useful economic lives, on straight-line basis, as follows:

Leasehold land and building	Over unexpired lease term
Leasehold improvements	3 years
Motor vehicles	5 years
Office furniture, fixtures and other equipment	5 years

During the year ended 31 December 2007, the directors conducted a review of the Group's office furniture, fixtures and other equipment and determined that a number of those assets were impaired due to physical damage. Accordingly, impairment losses of approximately RMB583,000 had been recognised in respect of office furniture, fixtures and other equipment in that year, which were used in the Group's telecommunication value-added services segment.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

16. INTANGIBLE ASSETS

	Patents	Computer software	Self-developed software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At 1 January 2007	–	17,390	11,360	28,750
Additions	18	1,820	–	1,838
At 31 December 2007	18	19,210	11,360	30,588
Additions	250	50	–	300
Disposal of subsidiaries	(18)	(6,986)	–	(7,004)
At 31 December 2008	**250**	**12,274**	**11,360**	**23,884**
AMORTISATION AND IMPAIRMENT				
At 1 January 2007	–	10,147	9,467	19,614
Impairment loss recognised	–	337	–	337
Provided for the year	1	1,944	1,893	3,838
At 31 December 2007	1	12,428	11,360	23,789
Provided for the year	14	1,533	–	1,547
Eliminated on disposal of subsidiaries	(2)	(1,767)	–	(1,769)
At 31 December 2008	**13**	**12,194**	**11,360**	**23,567**
CARRYING VALUES				
At 31 December 2008	**237**	**80**	**–**	**317**
At 31 December 2007	17	6,782	–	6,799

The above intangible assets have definite useful lives. Such intangible assets are amortised on straight-line basis over their estimated useful lives as follows:

Patents	5 to 10 years
Computer software	3 to 10 years
Self-developed software	3 years

During the year ended 31 December 2007, the directors conducted a review of the Group's intangible assets and impairment was made after valuation has been conducted by 浙江中誠健資產評估有限公司, a qualified valuer not connected with the Group, for the purpose of assessing the recoverable amounts. Accordingly, an impairment loss of approximately RMB337,000 had been recognised.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

17. GOODWILL

	2008
	RMB'000
COST	
At 1 January 2007	5,485
Released upon disposal of subsidiaries *(Note 29)*	(2,001)
At 31 December 2007	3,484
Released upon disposal of subsidiaries *(Note 29)*	(2,528)
At 31 December 2008	956

For the purpose of impairment testing, goodwill arising from the acquisition of subsidiaries have been allocated to cash generating units (the "CGUs") in the provision of telecommunication value-added services segment. During the year ended 31 December 2008, the management of the Group determined that there were no impairment of any of its CGUs containing goodwill.

Valuation has been conducted by BMI Appraisals Limited, a qualified valuer not connected with the Group, for the purpose of assessing the recoverable amounts. The basis of determining recoverable amounts of these CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of these CGUs have been determined on the basis of value in use calculations, which use cash flow projections based on financial budgets approved by management covering a ten-year period, and discount rates of 13.88%. Cash flow projections during the budget period are based on the budgeted sales, expected gross margins and the general price inflation which affects general expenses during the budget period. Budgeted sales have been estimated for the first five years with annual growth rates ranging from 5.6% to 26.7% and for the period beyond the fifth year using an annual growth rate of 5.1%. The growth rates and expected cash inflow/outflows which include budgeted sales and gross margin and general expenses have been determined based on industry growth forecasts, past performance of respective subsidiaries and the telecommunication value-added services segment of the Group and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the subsidiaries to exceed their aggregate recoverable amount.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

18. INTERESTS IN ASSOCIATES

	2008 RMB'000	2007 RMB'000
Unlisted investments, at cost	–	2,500
Share of post-acquisition results and reserves, net of dividends received	–	(279)
	–	2,221

On 30 September 2008 and 5 June 2008, the Group completed the disposal of its entire interest in Guangzhou Lande Information and Technology Company Limited (“廣東蘭德科技發展有限公司”) (“廣東蘭德”) and 湖州天運信息技術有限公司 (“湖州天運”) respectively. The net proceeds of the disposals amounted to approximately RMB710,000 and RMB500,000 and the Group's share of the interests on 廣東蘭德 and 湖州天運 were RMB693,000 and RMB1,149,000 as at disposal date, including the Groups share of results, net of tax, loss of approximately RMB30,000 and RMB349,000 for 廣東蘭德 and 湖州天運 respectively.

On 28 August 2007 and 13 September 2007, the Group completed the disposal of its entire interests in 上海海港通信技術有限公司 (“上海海港”) and 杭州天港信息技術有限公司 (“杭州天港”) respectively. The net proceeds of the disposal amounted approximate to RMB6,500,000 and RMB75,000 and the Group's share of the interests in 上海海港 and 杭州天港 amounted approximate to RMB5,000,000 and zero as at disposal date, including the Group's share of results, net of tax, profit of approximately RMB183,000 and loss of RMB40,000 for 上海海港 and 杭州天港 respectively.

The summarised unaudited financial information in respect of the Group's associates is set out below:

	2008 RMB'000	2007 RMB'000
Total assets	–	6,269
Total liabilities	–	(1,466)
Net assets	–	4,803
Group's share of net assets of associates	–	2,221
Revenue	–	12,271
(Loss) profit for the period/year	(772)	1,878
Group's share of results of associates for the period/year	(379)	901

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

19. INVENTORIES

	2008 RMB'000	2007 RMB'000
Computer software and hardware	–	505

During the year, certain impaired inventories were sold at gross profit. As a result, a reversal of write-down of inventories of approximately RMB2,404,000 (2007: Nil) has been recognised and included in consolidated income statement for the year ended 31 December 2008.

20. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2008 RMB'000	2007 RMB'000
Contracts in progress at the balance sheet date		
Contract costs incurred plus recognised profits less recognised losses	8,650	10,757
Less: progress billings	(7,301)	(10,757)
	1,349	–
Analysed for reporting purposes as:		
Amounts due from customers for contract work	1,349	–

At 31 December 2008, there were no retentions held by customers for contract work (2007: Nil).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

21. TRADE RECEIVABLES

Trade receivables consisted of:

	2008	2007
	RMB'000	RMB'000
Trade receivables	**56,156**	48,184
Less: Impairment losses	**(16,395)**	(12,999)
	39,761	35,185

There were no specific credit terms granted to the customers. Aging analysis of the trade receivables net of impairment losses, based on invoice date, is as follows:

	2008	2007
	RMB'000	RMB'000
Less than one year	**38,901**	34,086
Over one year but less than two years	**860**	1,099
	39,761	35,185

The Group does not hold any collateral over these trade receivables balances. Based on past experience, management consider the unimpaired balances are fully recoverable as relevant customers have a good track record based on the Group's past experience and are of a good credit standing.

Movement in the impairment loss of trade receivables:

	2008	2007
	RMB'000	RMB'000
Balance at beginning of the year	**12,999**	11,193
Impairment loss recognised during the year	**3,720**	1,913
Amounts written off as uncollectible	**(324)**	–
Eliminated on disposal of subsidiaries	**–**	(107)
Balance at end of the year	**16,395**	12,999

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

22. PREPAYMENTS AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Prepayment to suppliers	**8,324**	11,314
Advance to employees	**5,672**	6,562
Other receivables	**69,308**	112,632
	83,304	130,508
Less: Accumulated impairment	**(26,059)**	(26,041)
	57,245	104,467

Movement in the impairment loss of other receivables:

	2008 RMB'000	2007 RMB'000
Balance at beginning of the year	**26,041**	18,759
Impairment loss recognised during the year	**3,618**	7,282
Amounts recovered during the year	**(3,600)**	–
Balance at the end of the year	**26,059**	26,041

The amounts of advance to employees and other receivables are unsecured, interest-free and repayable on demand.

Included in the impairment loss are individually impaired other receivables with an aggregate balance of RMB26,059,000 (2007: RMB26,041,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

23. BANK BALANCES AND CASH

Bank balances and bank deposits carried interest at average market rate of 0.72% per annum (2007: 0.72%).

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

24. TRADE AND OTHER PAYABLES

	2008 RMB'000	2007 RMB'000
Trade payables	6,160	2,300
Other payables and accruals	22,858	69,534
	29,018	71,834

Aging analysis of the trade payables is as follows:

	2008 RMB'000	2007 RMB'000
Less than one year	5,797	1,847
Over one year but less than two years	303	154
Over two years but less than three years	5	299
More than three years	55	–
	6,160	2,300

Included in other payables as at 31 December 2007 was an amount of approximately RMB6,279,000 received in August 2007 from a third party for the subscription of 16,969,170 domestic shares of the Company at an issue price of RMB0.37 per share. The application for subscription had been approved by the Board of Directors of the Company. According to the relevant rules and regulations in the PRC, the subscription of the Company's domestic shares needed to be approved by relevant government authority before the shares can be legally allotted to the subscriber. Pursuant to the approval granted by the Ministry of Commence dated 20 May 2008 and the business license dated 11 December 2008, the capital increase was completed on 11 December 2008 and the amount of approximately RMB1,697,000 and RMB4,582,000 had been credited to paid-in capital and share premium respectively.

25. AMOUNT DUE TO A DIRECTOR

As at 31 December 2007, the amount was unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2008.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

26. PAID-IN CAPITAL

	Number of shares		Amount	
	2008	2007	**2008**	2007
	'000	'000	**RMB'000**	RMB'000
Registered, issued and fully paid:				
Domestic shares with par value of RMB0.1 each				
At 1 January	**227,452**	227,452	**22,745**	22,745
Increase in paid-in capital *(Note)*	**16,969**	–	**1,697**	–
At 31 December	**244,421**	227,452	**24,442**	22,745
Overseas public shares ("H" shares) with par value of RMB0.1 each	**112,125**	112,125	**11,213**	11,213
At 31 December	**356,546**	339,577	**35,655**	33,958

Note: On 11 December 2008, pursuant to a capital increase and share subscription agreement with an independent third party, the Company increased its registered capital from RMB33,957,700 to RMB35,654,617 and allotted and issued 16,969,170 domestic shares of RMB0.1 each in the Company at a price of RMB0.37 per share.

27. RESERVES

(a) Basis of appropriations to reserves

The transfer to statutory surplus reserve is based on the net profit under the financial statements prepared in accordance with the PRC accounting standards.

(b) Statutory surplus reserve

In accordance with the Company Law in the PRC and the Articles of Association of the Company and its subsidiaries, the Company and its subsidiaries are required to appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve.

When the balance of the statutory surplus reserve reaches 50% of the paid-in capital/share capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses, if any, or to increase capital after properly approved. However, except for offset prior years' losses, such statutory surplus reserve must be maintained at a minimum of 25% of paid-in capital/share capital after such usage.

28. UNPROVIDED DEFERRED TAX

The Group has unused tax losses amounted to RMB24,353,000 (2007: RMB21,634,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses as it is not probable that taxable profit will be available against which the tax losses can be utilised. The unrecognised tax losses will expire in three year's time.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

29. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2008, the Group disposed of its entire equity interests in 杭州大篷車影視傳播有限公司 and Zhejiang Tianxin Science and Technology Development Company Limited ("浙江天信科技發展有限公司") and its subsidiary, 杭州天鼎資訊技術有限公司 to independent third parties, at an aggregate consideration of RMB14,700,000. The net assets of these subsidiaries at the respectively dates of disposal were as follows:

	2008 Total RMB'000
Net assets disposed of:	
Plant and equipment	1,723
Intangible assets	5,235
Inventories	510
Trade receivables	15,672
Prepayments and other receivables	3,843
Bank balances and cash	3,444
Trade and other payables	(18,561)
Minority interests	(2,668)
	9,198
Attributable goodwill	2,528
	11,726
Gain on disposal	2,974
Total consideration	14,700
Satisfied by:	
Cash	14,700
Net cash inflow arising on disposal:	
Cash consideration	14,700
Bank balances and cash disposed of	(3,444)
	11,256

During the year ended 31 December 2008, the disposed subsidiaries contributed profits of approximately RMB3,412,000 (2007: RMB2,494,000) to the Group, contributed net operating cash outflow of RMB1,312,000 (2007: cash inflow of RMB1,245,000), received approximately RMB1,203,000 (2007: cash outflow of RMB3,712,000) from investing activities and received approximately RMB1,737,000 (2007: RMB3,038,000) in respect of financing activities.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

29. DISPOSAL OF SUBSIDIARIES (Cont'd)

During the year ended 31 December 2007, the Group disposed of its entire equity interests held in 福州真易數碼科技有限公司, 黑龍江群思特通信科技有限公司, 廣州市蘭笛電子信息技術有限公司, 浙江蘭德新易信息技術有限公司, 合肥蘭德通靈科技有限公司 and 杭州賽爾網絡通訊技術有限公司 respectively to independent third parties. The net assets of the these subsidiaries at the respectively dates of disposals were as follows:

	2007 Total RMB'000
Net assets disposed of:	
Plant and equipment	932
Trade receivables	2,505
Contract work-in-progress	1,825
Inventories	79
Prepayments and other receivables	7,846
Bank balances and cash	1,214
Trade and other payables	(9,167)
Minority interests	(1,488)
	3,746
Attributable goodwill	2,001
	5,747
Loss on disposal	(186)
Total consideration	5,561
Satisfied by:	
Cash	3,591
Other receivables	1,970
	5,561
Net cash inflow arising on disposal:	
Cash consideration	3,591
Bank balances and cash disposed of	(1,214)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	2,377

During the year ended 31 December 2007, the disposed subsidiaries contributed to approximately RMB1,618,000 to the Group's loss, contributed net operating cash flow of RMB1,230,000, received approximately RMB41,000 from investing activities and paid approximately RMB3,083,000 in respect of financing activities.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

30. CONTINGENT LIABILITIES

Details of guarantee given by the Group as at the balance sheet date are set out in Note 33(d).

31. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases its office premises under operating lease arrangements, with leases negotiated for terms ranging from one to three years and rentals are under fixed rate.

The total future minimum lease payments under non-cancellable operating leases are falling due as follows:

	2008 RMB'000	2007 RMB'000
Within one year	1,651	1,110
In the second to fifth year inclusive	2,400	–
	4,051	1,110

32. CAPITAL COMMITMENTS

	2008 RMB'000	2007 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment and intangible assets contracted for but not provided for in the consolidated financial statements	1,491	–

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

33. RELATED AND CONNECTED PARTY TRANSACTIONS

(a) Balances with related parties

Amounts due from (to) related parties included in prepayments and other receivable (other payables) as detailed in notes 22 and 24 respectively are set out below:

Name of related party	Relationship	2008 RMB'000	2007 RMB'000
Insigma Technology Co. Ltd.	A substantial shareholder of the Company	**(15,885)**	(21,884)
浙江大學快威科技集團有限公司	Controlled by the substantial shareholder of the Company	**2,840**	10,720
Zheda Insigma Group Co. Ltd. (浙江浙大網新集團有限公司)	Common controlled by a director of the Company and a shareholder of substantial shareholder of the Company	**–**	(9,460)
上海艾孚生信息科技有限公司	Controlled by a director of the Company	**1,400**	15,495
杭州賽爾通信設備有限公司	Controlled by a director of the Company	**459**	1,394
杭州奧通信息技術有限公司	Controlled by a minority shareholder	**8,725**	–
Minority shareholders		**3,426**	–

The above balances were unsecured, interest-free and repayable on demand.

As at 31 December 2007, the amounts due from associates were unsecured, interest-free and were fully settled during the year ended 31 December 2008.

(b) During the year ended 31 December 2008, the Company disposed of 9% equity interests in, Zhejiang Lande Congheng Network Service Company Limited ("Congheng") to an existing minority shareholder of Congheng at a consideration of RMB700,000. A gain on disposal of approximately RMB149,000 was credited to the consolidated income statement.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

33. RELATED AND CONNECTED PARTY TRANSACTIONS (Cont'd)

(c) Compensation of key management personnel

The remuneration of directors, supervisors and other members of key management during the year was as follows:

	2008 RMB'000	2007 RMB'000
Short-term benefits	**877**	732
Post-employment benefits	**97**	92
	974	824

The remuneration of directors, supervisors and key management is determined by the remuneration committee having regard to the performance of individual and market trends.

(d) Cross guarantee arrangements

During the year ended 31 December 2006, the Company entered into a series of agreements, with the following related parties over which directors of the Company have control to provide corporate guarantee to banks with respect to the loan facilities granted to two such related parties of a maximum amount of RMB80,000,000 in aggregate and another related party will provide corporate guarantee to banks with respect to the loan facilities granted to the Company of a maximum amount of RMB100,000,000.

Parties involved in such arrangements are summarised as follows:

Name of party	Relationship with the Company	Nature of transactions	Maximum amount of guarantee RMB'000
Zheda Insigma Group Co. Ltd. (浙江浙大網新集團有限公司)	Common controlled by a director of the Company and a shareholder of substantial shareholder of the Company	Providing guarantee on the Company's banking facilities	100,000
Zhejiang University Innovation Tuling Information Technology Company Limited (浙江浙大網新圖靈信息科技有限公司)	Company controlled by a director of the Company	The Company providing guarantee on banking facilities	50,000
Zheda Innovation Q Ware Technology Co. Ltd. (浙江浙大網新快威科技有限公司)	Company controlled by directors of the Company	The Company providing guarantee on banking facilities	30,000

As at 31 December 2008 and 2007, none of the loan facilities guaranteed by the Company have been utilised.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

34. RETIREMENT BENEFIT SCHEMES

The employees of the Group are required to participate in a central pension scheme operated by the local municipal governments. The companies in the Group are required to contribute 19% (2007: 20%) of its payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to consolidated income statement of approximately RMB3,512,000 (2007: RMB3,594,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

35. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2008 are as follows:

Name	Place of establishment/ operations	Issued and fully paid registered capital	Proportion of ownership interest held by Company		Principal activities
			Directly	Indirectly	
Chengdu Lande E & I Technology Company Limited 成都蘭德電子信息技術有限公司	PRC	RMB1,000,000	55%	–	Provision of telecommunication related services
Hangzhou Trust Communication Service Company Limited 杭州群思特通信服務有限公司	PRC	RMB1,000,000	55%	–	Provision of telecommunication related services
Zhejiang Sichuang Information Technology Company Limited 浙江思創信息技術有限公司	PRC	RMB30,000,000	90%	–	Trading of hardware and computer software and provision of telecommunication related services
Congheng 浙江蘭德縱橫網絡技術有限公司	PRC	RMB5,000,000	51%	–	Provision of telecommunication solutions and other related services, and trading of hardware and computer software

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31 December 2008

35. SUBSIDIARIES (Cont'd)

Name	Place of establishment/ operations	Issued and fully paid registered capital	Proportion of ownership interest held by Company Directly	Proportion of ownership interest held by Company Indirectly	Principal activities
浙江蘭創通信有限公司	PRC	RMB5,000,000	85%	–	Provision of telecommunication related services
Inhealth Technology Company Limited 浙江浙大網新思創健康科技有限公司	PRC	RMB12,500,000	–	54%	Not yet commenced business
杭州英納特信息科技有限公司	PRC	RMB2,000,000	75%	–	Provision of internet image packaging

All subsidiaries are limited liability companies.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

36. COMPARATIVE FIGURES

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

Financial Summary

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**121,547**	131,442	163,752	118,208	185,639
Cost of sales	**(76,489)**	(88,964)	(122,070)	(97,241)	(129,517)
Gross profit	**45,058**	42,478	41,682	20,967	56,122
Other operating income	**15,513**	10,951	12,783	11,156	1,714
Distribution and selling expenses	**(9,926)**	(12,795)	(12,533)	(11,493)	(10,067)
General and administrative expenses	**(56,655)**	(51,509)	(61,275)	(45,459)	(27,471)
Finance costs	**–**	(2,781)	(4,527)	(4,427)	(4,610)
Share of results of associates	**(379)**	901	1,783	1,968	(1,558)
(Loss) profit before taxation	**(6,389)**	(12,755)	(22,087)	(27,288)	14,130
Taxation	**(515)**	(1,232)	(3,002)	(400)	(3,609)
(Loss) profit for the year	**(6,904)**	(13,987)	(25,089)	(27,688)	10,521
Attributable to:					
– Equity holders of the Company	**(7,356)**	(12,856)	(21,017)	(28,348)	10,296
– Minority interests	**452**	(1,131)	(4,072)	660	225
	(6,904)	(13,987)	(25,089)	(27,688)	10,521
(Loss) earnings per share					
– Basic (RMB)	**(0.022)**	(0.038)	(0.062)	(0.083)	0.030

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**131,341**	179,796	239,084	274,915	297,310
Total liabilities	**(32,355)**	(78,568)	(123,131)	(142,178)	(138,013)
Minority interests	**(12,755)**	(13,920)	(15,789)	(11,556)	(9,768)
Shareholders' equity	**86,231**	87,308	100,164	121,181	149,529