2007 ANNUAL REPORT
二零零七年度 年報

中國數碼信息有限公司

中国数码

Sino-i Technology Limited

Stock Code: 250 股份代號：250

Contents

DIRECTORS

Executive
Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Mr. QIN Tian Xiang

Non-executive
Mr. LUO Ning
Mr. LAM Bing Kwan

Independent Non-executive
Mr. HUANG Yaowen
Prof. JIANG Ping
Mr. CHAN Lap Stanley
Mr. FUNG Wing Lap

COMPANY SECRETARY

Mr. WATT Ka Po James

QUALIFIED ACCOUNTANT

Ms. CHU Sheung Mei

AUDITORS

Grant Thornton
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

Kirkpatrick & Lockhart Preston Gates Ellis

REGISTERED OFFICE

39th Floor
New World Tower I
16-18 Queen's Road Central
Hong Kong

SHARE REGISTRAR

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

250

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS

http://www.sino-i.com

2007 was the year of the Company's implementation of adjustments. In addition to keeping on focusing on the steady development of corporate IT application services, financial information services, distance learning education services, and culture and media services, the Company aggressively implemented effective adjustments, by lowering down the extent of reliance on those short-term products; effecting comprehensive modification of customer strategies; implementing scientific management methods; and finishing the comprehensive change of various business entities towards service oriented. Meanwhile, the enhancement in research and development ("R&D") has made the technical team stronger and strengthened up R&D abilities.

Aiming at its IT sector, the Company timely implemented strategic adjustments which led to increasing its controlling ability over profit ratio in the years to come; and overall increasing average achievement made by each employee. The management team has become more competent, which has been the foundation for the Company's long term development.

With respect to culture and media sector, an overall re-organization and integration have been taken place. Having the competitive advantage of digital technologies ranging from film production and distribution to cinema investment, the Company intends to enter to film business in full force. Meanwhile, much efforts will be spent in interactive business development of using TV set as a signal receiver for providing a new media platform on which TV programme and movies, music, games, e-commerce, education and finance are integrated for customers.

For ensuring the Company's extent of focus and professional abilities in the aforesaid businesses, and its increased expenditure on future R&D, the Company has recently disposed of its remaining properties business, so it can further expedite its business adjustments which have started several years ago. Enactment and enforcement of new employment laws lead to prominently increasing the Company's labour costs, but such new laws will establish a more systematic labour market which would be beneficial to the Company's long-term development.

I. MARKET DEVELOPMENT

1. IT Market Review

With respect to the overall trend of economic information in China, and in accordance with information from CNNIC and China IT Market Conference 2008, Internet users in China increased to 210,000,000 as at December 2007, standing number two in the world. In 2007, Internet users increased by 73,000,000, reaching an annual growth rate of 53.3%. Basic Internet resources drastically increased, having an annual growth rate of over 38% per annum, in which the annual growth rate of the volume of domain names, websites and webpages was over 60% per annum. The total number of domain names in China was 11,930,000, reaching an annual growth rate of 190.4%. The main factor for such increase was from "cn" domain names. In 2007, the number of "cn" domain names reached 9,000,000, having an increment by almost four times by comparing with 2006, which was ranked number two in the world, just behind the top domain name of "de" in Germany (11,280,000 domain names). In 2007, the entire IT market value of China reached RMB679.8 billion. It is expected that the growth will maintain at 17.2% compound rate in the next five years. In the overall IT market structure, software and services have dominated 38.3% of the total market volume, and such trend will keep on growing in an increasing rate.

2. Multimedia and Media Market Review

Film business has been revived by the development of digital technologies, the enriched contents and reasonable ticket fares will definitely make the film business in China to be an economic growth star in the next few years. Film business has broken through the costs problem incurred by the distribution of traditional film negatives. By having the government's substantial support and encouragement, construction of digital cinemas has drastically been strengthened up. As at 10 November 2007, there were 215 pieces of 2K digital screen installed in China. It is expected that 2K digital screens will be over 500 pieces in the first half of 2008, to be ranked number two in the world. The Company will allocate its resources in technological operations of 2K digital screen.

Following the speedy development in digital, computer and communication technologies, the traditional TV sets in one-way and passive receiving style are now facing to the replacement by those interactive TV sets which have much more functionalities. Interactive TV has been well developed and used in many countries in the world nowadays. At this moment, IPTV representing broadband interactive technology has become the breakthrough medium for integration of 3-network (telecommunication network, TV broadcasting network and computer communication network). IPTV will extend to more popular business sectors in the future.

II. BUSINESS DEVELOPMENT

1. IT Sector

Corporate IT Application Services

Having nine years of development, the Company has, through its subsidiaries of CE Dongli Technology Group Company Limited ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet"), established a practical commercial network and a distribution system with over 10,000 agents covering major cities nationwide; affirmed its leading marketing position in corporate information application service sector; and well kept a steady growth in IT application service business. CE Dongli has firmly kept on its application service development direction; continuing development of practical business network; and strengthening the accumulated strategies in technologies and products, and has become one of the five largest corporations in IT sub-contracting service market in China. CE Dongli's standing was just behind IBM, and it was in the same standing as such multinational companies as HP, CSC and EDS. As per IDC report, CE Dongli has been ranked the sixth largest corporation in IT services industry in China.

2007 was the year for CE Dongli's comprehensive adjustments. By continuing expansion in and going deep into SME IT market; by having cooperation with such reputable companies and organizations as CNNIC, Google, Sina and Sohu, CE Dongli acquired major market share in domain name and the related network promotion market in China, and attained steady growth in IT operation service sector. Meanwhile, CE Dongli established a long-term stable cooperation relationship with the relevant national ministries and associations, municipal governments and industry associations, and got sufficient recognition and support from the government authorities by having accreditations of "Foreign Investment Enterprise in Advance Technology" and "AAA Accredited Enterprise", and having the entitlement to the related government research fund sponsorship scheme. The Company's influential power in the IT application service sector has increased further, which would be a foundation for the Company's more comprehensive IT application service development for the future.

2008 will be the year for CE Dongli continuing its re-organization. The developments in 2007 have further ascertained and affirmed the Company's development directions. By going deep into the requirements of the SME IT market; timely modifying product and service strategies; completing internal organizational development; continuing to expand business abilities and to modify customer strategies; increasing customer value; and driving CE Dongli to the vertical direction of IT operation, CE Dongli will be a specialist in IT operations practically suitable for corporation development in China.

Xinnet will base on its current products and services, deep digging up the related value-added services, and planning to launch such new services as network database management. By using experience gained in the past several years, Xinnet has identified the future development trends and opportunities in network market, and started to have its achievements in such related sectors.

Office Software Products

北京紅旗中文貳仟軟件技術有限公司 (Beijing Redflag Chinese 2000 Software Technology Company Limited) ("Redflag 2000") was one of the first lot of corporations in China starting to use international software standards, and its product namely RedOffice entirely complied with international standards of open document format (ODF). Meanwhile, Redflag 2000 has been the main force in the process of development of the national standards of unified office document format (UOF) in China. By having such advantages as superb practicability and compatibility; distinguished product worthiness; reliable information security; and enriched second time of development in functionality and cross-platform applications, Redflag 2000 has been the leader in the market, and has created a new situation in office applications sector in China. Being a leading corporation in domestically made office applications, Redflag 2000 has a creative research team at national level, and is the first team focusing on researching open source of OpenOffice.org ("OOo"). Redflag 2000 mainly provides office applications for government departments at different levels, and corporate and individual users. Office software products of Redflag 2000 are the relay batons succeeding the Group to continuously drive SME IT applications by means of e-commerce, and drive the progression of usage of corporate information, which is a core part of the Group's development blueprint of corporate information in China.

Redflag 2000 suggested a creative way by closely integration between office applications and demands for electronic administration affairs in China, such suggestion not only broke through the weird situation of local Chinese office applications which simply mimicked Microsoft Office but also created a new situation for development of local Chinese office applications. RedOffice office application almost got all authoritative awards presented for office applications in China; was the only office application awarded "Recommended Excellent Software Product of the Year" by China Software Industry Association for three consecutive years; was the only office application listed by four government departments in China as "National Focus New Product"; was the only office application listed by the Ministry of Science and Technology as a project under "National Torch Scheme" in 2005; and was supported by various funds at national level as it successfully completed such national level R&D plans as 863 project etc. and other projects at provincial and municipal level for several times. Meanwhile, Redflag 2000 was one of the corporations qualified in the innovative software billboard in China; was the first office application manufacturer having the highest recognition from China Software Testing Centre, and having national verification of GB18030A+; and was the first corporation successfully launched cross-platform office application basing on Windows and Linux operation systems. Redflag 2000 was also the first corporation suggesting the solution for integration of office application and operating system, which was successful in implementation and used in a number of government departments and associations.

In the past period under review, the Company was using its endeavours to establish the leading brand image of Redflag 2000 in the domestic office application market in China, and to build up the Company's image as a netvigator in open source technology in China. Recently, Redflag 2000 represented China to obtain the host title for 2008 annual conference of OOo. OOo is the largest community of open source, its office application is the leading product following Microsoft, and is the first time having its annual conference to be taken place outside Europe. The success in obtaining the host title has affirmed Redflag 2000's important status in international open source.

2. Culture sector

Financial Information Services

Due to open access to information which makes free information available to the general public and prevailing piracy, making the pay information seriously loss-balanced in the scales of information market. Facing to the market where information relating to investment is insufficient, every financial institute has started to weigh heavily on real time professional information analysis; and the advantages of self-made contents and the content differentiations. Emergence of fund corporations has made intelligent financial management becoming a direction, enhancing the recognition of the financial information products by the market. The Company's subsidiary, 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) ("Shihua") has got its professional advantage from its financial information market development over the past years. By using its website namely "caixun.com", Shihua has initially widened its recognition in the mass market.

Subsequent to the increased knowledge of general financial management amongst the Chinese investors, and to the launch of wealth management services by financial institutes, Shihua has continuously reinforced I-cube dual screen product series and "Integrated Financing", a comprehensive information service platform, and guided domestic Chinese financial information to professional and international standards. Meanwhile, by launching "caixun.com", the Company has expanded its advantage by crossing platform from professional market to general mass market. By using its financial information, investment and financial management knowledge and on-line community, "caixun.com" has provided an Internet financial management exchanging platform for the professionals and investors, and for the investors themselves; and upgraded the knowledge of rational investment and intelligent financial management.

As the software format has dominated information services market for a long period of time, the trend of emphasizing on technical functionalities but not information is still in the process of turning around. Furthermore, such unfavourable factor as frail investment in information by the market has hindered the development of information market indirectly. Shihua, being an information service provider having a foothold in development of professional information and analysis, will continue its foresight strategy and advantage of long-term investment; grasp the prevailing industry development trend; continuously nourish the market; firmly use the information requirements of the users as the core for designing standards; use innovative technologies; and research and develop professional information service platform with such functions as multi-markets, cross-platforms and consolidated analysis.

Distance Learning Education Services

For providing a superior, profound and professional learning gateway, the Company's subsidiary, 北京華夏大地遠程教育網絡服務有限公司 (Beijing Chinese Dadi Distance Education Company Limited) ("Chinese Dadi") comprehensively adjusted its strategies in 2007 by means of strengthening up the continuity of learning products; sound product structure for Internet courses; integrity learning supporting service system; development of advanced product service format etc.; and overall emphasize on student enrollment on Internet and Internet learning, whose website became the students' most favourite website in that sector. Meanwhile, Chinese Dadi cooperated with national examination associations to develop 3-dimensional teaching materials for Internet courses; established in-depth cooperation relationships with education administration departments in over twenty provinces and major cities, and with a number of colleges in China; researched and developed product service format for high-end users; and raised the education qualities substantially, all of which were deeply appraised by the students.

In 2008, Chinese Dadi will continue its development basing on the aforesaid fundamentals, further strengthen up its characters in the Internet market, use brand name as the core channel, use products and services as main promotion, use B2C and B2B2C network operation format for integration, implement deep-in expansion strategy, aim at enhancing truthfulness of the website and at increasing the conversion rate of students by changing general Internet users to formal students and ARPU (Average Revenue Per User), and intensively develop individual and group learning market. Meanwhile, Chinese Dadi will fully utilize its resources and advantages to develop new businesses, and make it as the "first stop" of continuing education in China satisfying such demands from Internet users as lingual learning; management upgrading; and certification course of studies.

Culture and Media Services

Resulting from integration of technological R&D and operation servicing resources, and manifold business cooperation with strategic partners, the Company has conducted in-depth technological R&D in multi-media and digital media sectors, and business trials, confirming the use of digital multi-media technology integrated with operating service as basic format, and the use of newly risen digital media as the media technology development strategy targeting for servicing.

Having the support from the strong technical team, the Company has achieved many advancements in the sector of digital multi-media technology, including the HD digital projection server with dual-loop security certification which was jointly developed with the Peking University, and such development has got support from an international well-known manufacturer, and would very likely be the first advanced projection equipment in China verified by DCI (Digital Cinema Initiatives). Meanwhile, having grasped the chance of CEPA (Closer Economic Partnership Arrangement), the Company set up entities for film production, distribution and investment. Cinema construction and operations, and film distribution businesses, which all provide resource support for the Company entering to digital film operation services in full scale. The rapid growth of digital cinema business will bring the Company tremendous market opportunities.

Meanwhile, the Company used thin streaming media server cluster, DRM (Digital Rights Management) server and large capacity distributed technology based on modified P2P (peer-to-peer) model to make family oriented HD video-on-demand solutions, and started the experimental operations with such strategic partners as Great Wall Broadband Network and China Telecom IPTV etc. Subsequent to the Company's increasing investment in that sector, the solutions will be further improved and be in large-scale operation.

Having the support of accumulated experience and operation strength, the Company has fully started website strategies in different sectors. Resulting from the continuous market development and content servicing, website viewing volume has steadily increased; the recent total PV (page view) times have reached ten million a day; and a group of loyal members has been grasped. The Company believes that it will achieve a rapid advance breakthrough in 2008, and will be a main force in network media sector.

III. TECHNOLOGICAL DEVELOPMENT

The Company continues to use the strategies of self-R&D and integration, to adopt publicly assessed, open sourced and standardized technological way, and to actively drive the common use of open source techniques in the Company. Meanwhile, greater efforts spent in research on basic technologies, critical technologies and public modules; and confirmation of the use SOA (Service-Oriented Architecture) and component based software engineering as the direction for Company's R&D in software, have provided a good foundation for the Company's establishment of re-useable module base and component based software system.

The Company has carried out tremendous practical work in open source technology sector. In 2007, Redflag 2000 entered the OOo community successfully, and became the most important cooperation partner with Sun Inc. in open source. Progressive integration of Chinese Uniform Office Format (UOF) and international Open Document Format (ODF), and participation in promotion and formulation of related standards, will have a huge impact on the Company's office application products and service market. In addition, the acquisition of the technologies relating to Linux desktop operation system from Beijing Co-Create Open Source Software Company Limited at the end of 2007 has provided a good foundation for the Company and made the Company capable of providing an intact desktop application environment from operation systems to office software, and to corporation application services etc., and capable of providing users a highly conformed, user-friendly and comprehensive integrated IT service.

In 2007, the Company progressively explored technological cooperation with outsiders, and contracted with government for research projects; joined to Changfeng Open Standards Platform Software Alliance; actively participated various projects of the Alliance; and took the leading role in organizing promotion working team for Changfeng Alliance information services. By using the Alliance force, the Company suggested the related scopes and frames for IT service operation, and used this turning point to drive the establishment of China IT service operation standard system. In the same year, the Company was one of the first four software service corporations in China joined OASIS (Organization for the Advancement of Structured Information Standards). By using OASIS, the Company will actively participate SOA and other related technological standardization work.

In the past year, the Company increased the overall investment in technologies and R&D, including recruitment, technology R&D, management development and quality control etc., making the size and overall abilities of technical team prominently increased.

IV. CONCLUSION

Although the media industry in China is still in a closed manner, it is expected that media industry in China is going to have larger space for development in the future resulting from gradually lessening the rigid policy on media. Being a new generation IT and media services group equipped with technological know-how, the objective of the Group is to become the leader in development of IT and culture and media businesses in China. The mission of the Group is to use the most advanced IT technologies, making an information and knowledge dissemination platform; providing services for corporations and groups of individuals in China; and making its contributions to drive the development of IT and intellectual property.

The Company has full confidence in the prospect of the development of IT and culture and media businesses in China, and will continue to expand its businesses in various sectors; to increase technological R&D efforts; to expand technological abilities; and to focus on developing technology and media businesses by such capitalized operating means as continuous business development, strengthening up services, and mergers and acquisitions.

After nine years of development, the Company has set a foothold as the top six IT service corporation in China, and will move forward steadily to achieving its objectives. The strategies adopted by the Company have been proven successful by referring to its achievements in the market development and leadership in the business sectors.

Sincerely thank you for your continued support, and look forward to having your continuous care for and support in the Company's development.

Yu Pun Hoi
Chiarman

Hong Kong, 18 April 2008

1. OPERATION REVIEW

The Group was principally engaged in corporate IT application services, financial information services, distance learning education services, and culture and media services. During the year, the turnover was HK$666.1 million (2006: HK$619.3 million), and the net profit was HK$692.8 million (2006: a net loss of HK$183.5 million). The total net asset value of the Group including minority interest was HK$2,450.7 million (2006: HK$1,823.3 million), representing a value of HK$0.123 per share.

The sharp increase in profit was mainly due to (a) the disposal of 51% of the Guangzhou property project to Nan Hai in December 2007, which resulted in an exceptional profit of about HK$640.8 million; and (b) a negative goodwill in the sum of about HK$30.3 million resulting from the subscription of new shares of CE Dongli, equivalent to about 10% of the enlarged share capital of CE Dongli.

During the year, in accordance with the Company's development plans of serving corporations by IT and serving the public by knowledge, the Company has driven its all businesses in full force, enhanced corporation norms, and built up more synergies in terms of sharing of resources, capabilities and cost efficiency. In addition to strengthening the Company's leading position in IT application service sector in China, the Company will progressively establish its solid foundation in culture and media service sector.

Corporate IT Application Services

Both the tremendous volume of clients and continuing growth of IT investment available in SME segment have become the focus in the IT market. In consideration of the Company's long-term cooperation with SMEs together with its continuing introduction of innovative products and provision of comprehensive services, the Company continuously modified and upgraded itself in the highly competitive market. During the year, the turnover of this division was HK$628.1 million (2006: HK$585.2 million), and the net profit was HK$111.9 million (2006: HK$126.8 million).

The Company will continue to improve its business strategies, marketing and sales, technological R&D, and service operations etc.; to enhance self development and innovation; to relocate internal resources for maximizing synergies; and to enhance the overall operation efficiency and control ability in managing the profit ratio.

The Company has gained recognition in the corporate IT application service sector, and has won different awards, including:

- Excellent IT Outsourcing Service Provider in China 2006
- IT Impact on China 2006 Annual Contribution Award
- China Best Growing Enterprises in IT 2007
- Top Ten Growing Enterprises awarded by Fortune China 2007
- "Vital Contribution" awarded by IDC China 2007
- Users Most Satisfied IT Application Service Provider for three consecutive years in 2005, 2006 and 2007
- China IT Innovation Enterprise in China for two consecutive years in 2005 and 2006
- Advanced Technological Product with Highest Market Value 2007
- E-mail Business Development Innovation Award 2007
- Open Source Business Outstanding Contribution Award 2007
- The Top Rated Domestic Office Software Purchased by the Government Award 2007

Financial Information Services

During the year, Shihua continued to focus on the provision of financial information services, investing and developing a new professional financial information website namely "caixun.com", and enhancing its I-cube dual screen product series. Leverage on its experience in forex and futures market, Shihua launched well-versed professional information products for providing integrated financial services. During the year, the turnover of this division was HK$37.1 million (2006: HK$39.6 million), and the net loss was HK$17.3 million (2006: a net loss of HK$283.1 million which was due to the one-off write off of an accumulated goodwill amounted to about HK$289.8 million i.e. this division had a segment profit of about HK$6.7 million without taking into account the net effect of the write-off of the accumulated goodwill).

The loss for the year was mainly attributable to increasing marketing cost allocated to roll out of new products and increasing labour cost of IT professionals and financial analysts incurred in developing the new financial website.

This division of business is still undergoing its investment period. Substantial amount of financial resources was used for strengthening up product development and technology foundation so as to increase its competitive edge over other market players to meet the rapidly changing environment.

The traditional financial software emphasizing technical functionalities has dominated the financial market for a period of time. Now it is the transitional period during which the users' focus on technical functionalities is gradually changing to information contents. As a result, the turnover of this division did not improve in 2007. The management believes that the I-cube dual screen product series and "caixun.com" will bridge up the insufficiency of real-time professional financial information for the professional and individual investors, which would achieve competitive advantage and in turn would improve the performance of this division.

Distance Learning Education Services

With respect to distance learning education services, the PV rate of the education website of Chinese Dadi has been increasing since October 2007, and it was ranked number one in the field of education website at the end of 2007 according to iResearch.

During the year, the turnover of this division was HK$17.0 million (2006: HK$17.6 million), and the net loss was HK$1.7 million (2006: a net profit of HK$5.1 million). The small loss was attributable to increasing marketing expenditure on promoting its online programmes.

The division will continue its close collaborations with the provincial and municipal examination authoritative organizations so as to increase its exposure to online students which may lead to better revenue and profit.

Culture and Media Services

Under the Group's overall strategic development in the culture and media business, the Company has initiated investment in film distribution business in China. In view of the high potential of digital cinema business in China, the Company intends to further invest in this business segment in China in 2008.

During the year, the turnover of this division was HK$9.2 million (2006: Nil), and the net loss was HK$8.7 million (2006: Nil). The loss reflected the initial investment costs in setting up distribution channels and payment of royalties to the owners of the films. The Company believes investment in this rapidly growing market will generate handsome return in the near future.

II. RESEARCH & DEVELOPMENT

Following the speedy development in various business sectors, the Company has achieved substantial enhancement in its software R&D, IT services, IT foundation facilities and IT operation services etc.; and established two IT service teams in software R&D and technology operations. As at the end of 2007, the Company had over 2,000 technical employees and established a stringent software development process and quality control system. The Company also developed component based design method for component based software development, and possessed advanced technologies in multi-media copyright protection; SOA technology studies; open source techniques of Mysql and Linux, and IT application service system etc. By referring to and using such advanced ideas as ITIL, ETOM, and COBIT, the Company established a professional IT operation system, and basically completed the establishment of three data centres in southern, northern and eastern parts of China, and efficiently raised the resource efficiency and operation capabilities.

III. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 31 December 2007, the net asset value of the Group attributable to the equity holders amounted to approximately HK$2,361.3 million (2006: HK$1,632.3 million) including cash and bank balances of approximately HK$58.3 million (2006: HK$43.1 million) (which were denominated mainly in Renminbi and Hong Kong dollars). As at 31 December 2007, the Group's aggregate borrowings were HK$66.0 million (2006: HK$60.7 million). All of such borrowings were bearing interest at floating rates (2006: about HK$20.3 million were bearing interest at fixed rates, and about HK$40.4 million were bearing interest at floating rates). The gearing ratio of the Group, which is net debt divided by the adjusted capital plus net debt, decreased from 0.96% as at 31 December 2006 to 0.31% as at 31 December 2007. The decrease in gearing ratio was mainly due to the increase in total equity as a result of a material profit generated during the year under review.

The Group's contingent liabilities at 31 December 2007 were HK$77.4 million due to the guarantees given in connection with credit facilities.

As at 31 December 2007, land use rights and buildings with net book value of approximately HK$89.3 million and listed securities of certain shareholders of Nan Hai were pledged as securities for credit facilities.

IV. EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

As the majority of the Group's borrowings and transactions were denominated in Renminbi and Hong Kong dollars, the Group's exposure to exchange rate fluctuations was relatively insignificant. In general, the Group mainly utilised its Renminbi income receipt for operating expenditures in China, and did not use any financial instruments for hedging Renminbi bank borrowings during the year, and such borrowings were mainly used for Renminbi capital requirements in China.

V. EMPLOYEE

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the board of directors. In general, salary review is conducted annually. As at 31 December 2007, the Group had approximately 8,102 employees (2006: 7,205 employees). The salaries of and allowances for employees for the year ended 31 December 2007 were about HK$339.4 million (2006: HK$278.5 million).

VI. PROSPECT

The Company will continue to streamline its businesses, to enhance overall synergies and efficacies, to strengthen its leading market position and advantages in its respective business sectors, to continue to invest and expand its current businesses for enjoying competitive advantage in those markets, and the Company will also increase its market share by means of continuing mergers and acquisitions, and streamline its internal resources.

Strong technical and product supports have been the key factors to the success of the Company. In the coming year, the Company will continue to increase investment in R&D; and to greatly enhance the quality and professonalism of its technical teams, and R&D capabilities for speeding up the development of products and widening the product lines.

Convenient and efficient access of various information by the general public is one of the missions of the Company. The Company will speed up the development of culture and media business. By using hi-tech digital network technologies, developing a new media network, and by means of development of new commercial and operation systems, the Company will turn out to be a multi-culture and media entity integrated with editorial, production, distribution, operation and management, and will make important contributions to develop the Chinese culture in the scientific, modern and respectable direction.

The Company will continue to focus on its all current businesses, and to reinforce and expand its competitive advantage for achieving greater returns for the shareholders.

The directors herein present their report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in corporate IT application services, financial information services, distance learning education services and culture and media services.

SEGMENT INFORMATION

Particulars of the Group's turnover and segment information for the year are set out in notes 5 and 6 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 39.

The directors do not recommend the declaration of the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years/period is set out on page 110.

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's principal subsidiaries and associate as at 31 December 2007 are set out in notes 15 and 16 to the financial statements respectively.

BANK AND OTHER BORROWINGS

The Group's bank and other borrowings as at 31 December 2007 are set out in notes 31 and 32 to the financial statements respectively.

SHARE CAPITAL AND SHARE PREMIUM

During the year, no movements in share premium of the Company. Details of the share capital of the Company during the year are set out in note 34 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the amount of the Company's reserves available for distribution was approximately HK$318,763,000. In addition, the Company's share premium account with a balance of HK$39,194,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to the five largest customers and purchases from the five largest suppliers for the year ended 31 December 2007 accounted for less than 30% of the Group's total turnover and purchases respectively.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in note 40 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Yu Pun Hoi, an executive director of the Company, is also a director of Best e-Solutions Limited which is engaged in software development.

Save as disclosed above, at 31 December 2007, none of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

PENSION COSTS

Details of retirement benefit plans in respect of the year are set out in note 45 to the financial statements.

DIRECTORS

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

Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Mr. QIN Tian Xiang
Mr. LUO Ning#
Mr. LAM Bing Kwan#
Mr. HUANG Yaowen*
Prof. JIANG Ping*
Mr. CHAN Lap Stanley*
Mr. FUNG Wing Lap*

Non-executive directors
* Independent non-executive directors

DIRECTORS (Continued)

The Company has received annual confirmation from each of the existing independent non-executive directors confirming his independence to the Company pursuant to rule 3.13 of the Listing Rules and the Company considers that such directors are independent of the Company.

In accordance with article 94 of the Company's articles of association, Mr. Luo Ning, Mr. Huang Yaowen and Mr. Chan Lap Stanley shall retire at the forthcoming annual general meeting and, being eligible, Mr. Luo Ning and Mr. Huang Yaowen will offer themselves for re-election at the forthcoming annual general meeting, but Mr. Chan Lap Stanley will not offer himself for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical Details of Directors

Executive Directors

Mr. YU Pun Hoi, aged 49, is the chairman of the board of directors (the "Board") and the chairman of executive committee of the Company. Mr. Yu was a director of the Company from October 1991 to October 1994, and re-joined the Board of the Company on 31 January 1997. Mr. Yu is also the chairman, controlling shareholder, and the chairman of executive committee of Nan Hai, and a director of a number of major subsidiaries of the Company and Nan Hai.

Mr. Yu through his own establishment and acquisition has extensive experience in different nature of businesses including property investment and development, newspaper publisher, satellite broadcasting television station, information technology, and media.

The Company under Mr. Yu's leadership is focusing on four main areas of business – corporate IT applications, financial information services, distance learning education services and culture and media services.

Ms. CHEN Dan, aged 39, graduated from Beijing Finance & Trade College in 1991, and conferred a Bachelor degree in Trade & Economics, and is a qualified lawyer in China. Ms. Chen was working in Europe and obtained experience in various industries prior to joining the Group in October 2000. Since February 2006, Ms. Chen has been appointed as executive director, executive committee member and general manager of the Company, responsible for all the operations management within the Group. Ms. Chen was also awarded several honours of "2005 Financial Times Top 10 Financial People in China IT Industry", "2005 Annual New Talent" in Information Industry, "2007 Annual Excellent People in China's Information Construction", "2007 Top 10 Managerial People" and "2007 Annual New Managerial Talents" etc. Ms. Chen is also an executive director and executive committee member of Nan Hai, and a director of a number of major subsidiaries of the Company and Nan Hai.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Directors (Continued)

Executive Directors (Continued)

Mr. QIN Tian Xiang, aged 42, was graduated from the National University of Defense Technology, Electronics Technique Department. Mr. Qin has been in presidential and directorship positions in a number of corporations in China and Hong Kong since 1994. Mr. Qin joined the Board of the Company as an independent non-executive director on 30 September 2004, and was then re-designated as an executive director and appointed as an executive committee member of the Company on 14 February 2006. In additions, Mr. Qin is also an executive director, executive committee member and general manager of Nan Hai, and a director of a number of major subsidiaries of the Company and Nan Hai in China.

Non-executive Directors

Mr. LUO Ning, aged 49, is a director and assistant president of CITIC Group and holds various senior management positions in a number of subsidiaries, associated or related companies of CITIC Group. Mr. Luo is also a director of CITIC Guoan Information Industry Co., Ltd. whose A shares are listed on The Shenzhen Stock Exchange. Mr. Luo joined the Board of the Company on 5 October 1999.

Mr. LAM Bing Kwan, aged 58, graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. Mr. Lam had been in senior management positions in the banking and financial industry for more than 10 years before joining our Group. Mr. Lam joined the Board of the Company on 14 October 1991, and was re-designated as non-executive director on 2 April 2002. Mr. Lam is also a non-executive director of Nan Hai, and an independent non-executive director of Lai Sun Development Company Limited, Lai Fung Holdings Limited and eForce Holdings Limited.

Independent Non-executive Directors

Mr. HUANG Yaowen, aged 37, graduated from South West University of Politics and Laws in China and was conferred a Bachelor degree in Laws in 1992. Mr. Huang obtained a degree of EMBA in China Europe International Business School, and also holds a Master of Laws from Central Parties School in the PRC. Mr. Huang is a registered attorney at law in China and is the executive partner of Kai Wen Law Firm which is Chinese commercial law firms in the PRC. On 14 February 2006, Mr. Huang joined the Board of the Company and was appointed as chairman of audit committee and remuneration committee of the Company. Mr. Huang is also an independent non-executive director and chairman of audit committee and remuneration committee of Nan Hai.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Directors (Continued)

Independent Non-executive Directors (Continued)

Prof. JIANG Ping, aged 77, graduated from Moscow University with a Bachelor degree in Laws in 1956. Prof. Jiang is the lifetime professor of China University of Political Science and Law, and conducts lectures for doctoral degree class in civil and commercial laws. Prof. Jiang is the honorary president of China Comparative Law Research Centre; chairman of Beijing Arbitration Commission; vice-president of China Consumers' Association; and counsellor and member of committee of experts in China International Economic and Trade Arbitration Commission. On 1 June 2006, Prof. Jiang joined the Board of the Company and was appointed as member of audit committee and remuneration committee of the Company. Prof. Jiang is also an independent non-executive director and member of audit committee and remuneration committee of Nan Hai.

Mr. CHAN Lap Stanley, aged 53, graduated from medical school of Zhejiang University in 1983, and also holds a Master's degree in Psychology. Mr. Chan has been an Assistant Professor in Zhejiang University in the PRC, and a researcher and chief secretary of a Research Centre for Taiwan, Macau and Hong Kong in Zhejiang University since 1997. Mr. Chan is also a business consultant in Ningbo Free Trade Zone in Zhejiang. Mr. Chan joined the Board of the Company on 30 September 2004 and is also an audit committee member and remuneration committee member of the Company.

Mr. FUNG Wing Lap, aged 48, graduated from The Hong Kong Polytechnic University in 1992. Mr. Fung is a fellow member of Association of International Accountants, and a Certified Public Accountant (Practising) of Hong Kong Institute of Certified Public Accountants. Mr. Fung has been a partner of Fung Lau & Company, Certified Public Accountants, since October 2000. Mr. Fung joined the Board of the Company on 30 September 2004 and is also an audit committee member and remuneration committee member of the Company.

Biographical Details of Senior Management

Mr. YU Fan (aged 40)
Deputy General Manager – Business and Strategic Development
Sino-i Technology Limited

Mr. Yu got a degree of Master of Business Administration from Guanghua School of Management of Peking University.

Mr. Yu joined the Group in May 2004, and he was appointed as general manager of CE Dongli, a subsidiary of the Company, in 2006. In 2007, Mr. Yu was appointed as deputy general manager – business and strategic development of the Company, responsible for the planning and development of strategies and operations. Prior to joining the Group, Mr. Yu was working in senior positions in such large domestic and joint venture corporations as Founder Group and Hewlett Packard. Mr. Yu has 17 years' experience in IT and the related business.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management (Continued)

Ms. LIU Rong (aged 36)
Deputy General Manager – Media and Culture
Sino-i Technology Limited

Ms. Liu was graduated from the Law School of Anhui University in 1993, and obtained a degree of Bachelor of Laws. Ms. Liu got her Master of Laws in 2002 conferred by the Law Institute of Chinese Academy of Social Science. Ms. Liu is a qualified lawyer in China.

Ms. Liu joined the Group in April 2002, responsible for corporate affairs, investments and mergers and acquisitions in China. In 2006, Ms. Liu was appointed as general manager – Internet data centre of the Company, responsible for Internet business management of the Group. In 2007, Ms. Liu was appointed as general manager of Dadi Media Limited, a wholly-owned subsidiary of the Company, responsible for the related businesses in culture and media. Prior to joining the Group, Ms. Liu worked in Chinese government departments and law firms.

Dr. ZHANG Bin (aged 42)
Deputy General Manager – Technology Development
Sino-i Technology Limited

Dr. Zhang was graduated from the Computer Faculty of The University of Defence Technology in 1994, and awarded a doctorate. The research of "YH-C Parallel Compiling System" in-charged by Dr. Zhang was awarded the second prize of Technology Progress conferred by the General Armament Department (formerly known as State Commission of Science and Technology for National Defense Industry). Dr. Zhang was also accredited as "Senior Engineer".

Dr. Zhang joined the Group in 1999, responsible for technological R&D. In March 2005, Dr. Zhang was appointed as chief technology officer of the Company, responsible for overall technical affairs, R&D, products maintenance and other related work of the Group. In the same year, Dr. Zhang finalized the R&D on the digital business platform products for e-commerce services for SMEs in China.

In April 2006, Dr. Zhang was appointed as deputy general manager – technology development of the Company, responsible for product design, R&D, testing, and quality control etc. in all the business segments of the Group, and for advancement of technology in multi-media data transmission, copyright protection, SOA technology research, and IT business services etc..

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management (Continued)

Ms. WANG Daihong (aged 41)
Deputy General Manager – Human Resources
Sino-i Technology Limited

Ms. Wang was graduated from Capital University of Economics and Business, majored in Economic Law. At present, Ms. Wang is pursuing EMBA in China Europe International Business School. Ms. Wang joined the Group as deputy general manager – human resources in 2007, chiefly responsible for planning and development of human resources. Prior to joining the Group, Ms. Wang was in senior positions in a number of large multinational companies, joint ventures and state-owned enterprises, such as Omron China Limited, GE (China) Medical Systems, Beijing EC-Founder, Huapu Information Technology Co. Ltd. (HPITC), and Xian Janssen Pharmaceutical Ltd (member of J&J) etc.. Ms. Wang has over 15 years' experience in HR management, and is familiar with the labour laws and labour contract laws.

Ms. CHU Sheung Mei (aged 31)
Qualified Accountant
Sino-i Technology Limited

Ms. Chu holds a Bachelor degree in Accountancy from The Hong Kong Polytechnic University, and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Ms. Chu joined the Group in 2006, responsible for the Group's accounting and financial control functions.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

The Company

(i) *Long position in shares in issue*

	Number of shares of HK$0.01 each				
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi ("Mr. Yu")	–	12,515,795,316 *(Note 1)*	44,000,000 *(Note 2)*	12,559,795,316	63.07%
Fung Wing Lap	10,000	–	–	10,000	0.00005%

Notes:

1. Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of Nan Hai, the holding company of the Company. These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of Nan Hai. As such, Mr. Yu was taken to be interested in these shares for the purposes of Part XV of the SFO.

2. These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

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

The Company (Continued)

(ii) *Long position in underlying shares*

Name of Director	Number of underlying shares of HK$0.01 each*	Nature of interest	Approximate percentage holding
Lam Bing Kwan	18,000,000	Personal	0.09%
Chen Dan	7,500,000	Personal	0.04%

* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of grant	Exercise price per share HK$	Number of share options granted	Exercisable period
Lam Bing Kwan	12-11-2004	0.16	9,000,000	01-07-2005 to 30-06-2008
		0.16	9,000,000	01-07-2006 to 30-06-2008
Chen Dan	12-11-2004	0.16	3,750,000	01-07-2005 to 30-06-2008
		0.16	3,750,000	01-07-2006 to 30-06-2008

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of Nan Hai, the holding company of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company, Nan Hai or their respective controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO. Nan Hai is a company the shares of which are listed on the Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 31 December 2007, the interests of the directors of the Company in shares and underlying shares of Nan Hai were as follows:

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

Associated Corporations (Continued)

Nan Hai

(i) *Long position in shares in issue*

	Number of shares of HK$0.01 each				
Name of Director	Personal interest	Corporate interest	Family interest	Total interest	Approximate percentage holding
Yu Pun Hoi	–	32,595,726,203 *(Note 1)*	69,326,400 *(Note 2)*	32,665,052,603	47.59%
Chen Dan	32,000,000	–	–	32,000,000	0.05%
Qin Tian Xiang	7,000,000	–	–	7,000,000	0.01%
Fung Wing Lap	15,756	–	–	15,756	0.00002%

Notes:

1. Out of these 32,595,726,203 shares, 28,853,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Limited, Pippen Limited and First Best Assets Limited, companies wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Limited, a company indirectly held as to 60% by Mr. Yu.

2. These 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

(ii) *Long position in underlying shares*

Name of Director	Number of underlying shares of HK$0.01 each*	Nature of interest	Approximate percentage holding
Chen Dan	7,000,000	Personal	0.01%
Qin Tian Xiang	7,000,000	Personal	0.01%

* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of grant	Exercise price per share HK$	Number of share options granted	Exercisable period
Chen Dan	18-01-2007	0.0714	7,000,000	19-01-2008 to 18-01-2009
Qin Tian Xiang	18-01-2007	0.0714	7,000,000	19-01-2008 to 18-01-2009

Save as disclosed above, as at 31 December 2007, none of the directors and chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board.

On 12 November 2004, share options to subscribe for a total of 233,360,000 shares, representing approximately 1.68% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Company and subsidiaries and the persons who have provided research, development or other technological support or services to the Group at an exercise price of HK$0.16 per share. The closing price of share of the Company immediately preceding the date of grant was HK$0.158.

Movements on the share options during the year are as follows:

				Number of share options				
Grantee	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding as at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2007
Directors								
Lam Bing Kwan	12-11-2004	01-07-2005 to 30-06-2008	0.16	9,000,000	–	–	–	9,000,000
		01-07-2006 to 30-06-2008	0.16	9,000,000	–	–	–	9,000,000
Chen Dan	12-11-2004	01-07-2005 to 30-06-2008	0.16	3,750,000	–	–	–	3,750,000
		01-07-2006 to 30-06-2008	0.16	3,750,000	–	–	–	3,750,000
Employees								
In aggregate	12-11-2004	01-07-2005 to 30-06-2008	0.16	21,180,000	–	–	(1,655,000)	19,525,000
		01-07-2006 to 30-06-2008	0.16	21,180,000	–	–	(1,655,000)	19,525,000
		01-01-2006 to 31-12-2008	0.16	1,500,000	–	–	–	1,500,000
		01-01-2007 to 31-12-2008	0.16	1,500,000	–	–	–	1,500,000
Total				70,860,000	–	–	(3,310,000)	67,550,000

SHARE OPTION SCHEME (Continued)

A summary of the Scheme is as follows:

(1) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which any member of the Group holds any equity interests (the "Invested Entity").

(2) Participants

The participants include:

a. any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, its subsidiaries and any Invested Entity;

b. any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

c. any supplier of goods or services to any member of the Group or any Invested Entity;

d. any customer of the Group or any Invested Entity;

e. any person or entity that provides research, development or technological support or other services to the Group or any Invested Entity;

f. any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

g. any ex-employee who has contributed or may contribute to the development and growth of the Group and any Invested Entity.

(3) Maximum number of shares

The total number of shares which may be issued upon exercise of all options to be granted under the Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Option Scheme or 30% of the issued share capital of the Company from time to time. No options may be granted under the Option Scheme if this will result in such limit exceeded. As at the date of this report, the number of Shares available for issue in respect thereof is 1,158,090,487 shares representing approximately 5.82% of the issued share capital of the Company.

SHARE OPTION SCHEME (Continued)

(4) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company in issue. Any grant of further options above this limit shall be subject to certain requirements as stipulated in the rules of the Scheme.

(5) The period within which the shares must be taken up under an option

The period within which the Shares must be taken up an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(6) Minimum period for exercising an option

The board of directors of the Company may at its discretion determine the minimum period for which an option must be held before it can be exercised.

(7) Acceptance and payment on acceptance

The option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company. To the extent that the offer is not accepted within 28 days in the manner aforesaid, it will be deemed to have been irrevocable declined and lapsed automatically.

(8) Basis of determining the subscription price

The subscription price for shares under the Scheme shall be a price determined by the Directors, but shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

(9) Remaining life of the Scheme

The Scheme will remain in force for a period of 10 years commencing on 29 August 2002 up to 28 August 2012.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Except for the Scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than the statutory compensation.

No contracts concerning the management and administration of the whole of any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries was a party, and in which any directors 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2007, those persons (other than directors and chief executive of the Company) who had interests and short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	**Nature of interest**	**Number of shares in issue subject to long position**	**Approximate percentage of issued share capital of the Company**	Note
Kung Ai Ming	Family and Corporate interest	12,559,795,316	63.07%	1
Martin Currie (Holdings) Limited	Corporate interest	1,276,340,000	6.41%	
Nan Hai	Corporate interest	12,515,795,316	62.85%	

Note:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.

Save as disclosed above, as at 31 December 2007, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Company and the Group are set out in note 46 to the financial statements.

CONNECTED TRANSACTION

On 13 November 2007, the Company and Nan Hai entered into an agreement (the "Agreement") under which the Company sold the 51% interest in Listar Properties Limited ("Listar") and the inter-company loan of Listar due to the Company and its subsidiaries in an aggregate amount of HK$933,958,000 as at 30 September 2007 to Nan Hai or any of its subsidiary at a total consideration of HK$1,645,530,000. Nan Hai is a connected person of the Company within the meaning of the Listing Rules by virtue of being a substantial shareholder of the Company. The entering into the Agreement constituted a connected transaction for the Company under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

PUBLIC FLOAT

Based on the publicly available information and to the best knowledge of the directors, the Company has maintained during the year sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 32 to 37.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Huang Yaowen, Prof. Jiang Ping, Mr. Chan Lap Stanley and Mr. Fung Wing Lap. The Audit Committee has reviewed with the auditors of the Company and the management the accounting principles and practices adopted by the Group and discussed auditing, financial control, internal control and risk management system including the review of the audited accounts for the year ended 31 December 2007.

AUDITORS

The financial statements for the year have been audited by Messrs. Grant Thornton who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of auditors of the Company.

On behalf of the Board

Yu Pun Hoi
Chairman

Hong Kong, 18 April 2008

The Company is committed to maintain high corporate governance standard and unambiguous procedures to ensure the integrity, transparency and quality of disclosure in order to enhance its shareholders' value.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board of the Company, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007, except for the deviation from Code Provisions A.2.1 and A.4.1 which, in the Company's opinion, are unsuitable or inappropriate for adoption. Explanations for such non-compliance are provided below.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2007.

The Company has also established written guidelines on no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

DELEGATION BY THE BOARD

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and monitoring its affairs. All directors should take decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned senior management of the Company.

The Board has the full support of its board committees and the senior management of the Company to discharge its responsibilities.

BOARD OF DIRECTORS

The current Board is made up of nine directors including three executive directors, two non-executive directors and four independent non-executive directors (the "INEDs"). The directors are, collectively and individually, aware of their responsibilities to the shareholders. The directors' biographical information is set out on pages 19 to 21 under the heading "Biographical Details of Directors and Senior Management". The Board consists of the following:

Executive Directors
Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Mr. QIN Tian Xiang

Non-executive Directors
Mr. LUO Ning
Mr. LAM Bing Kwan

Independent Non-executive Directors
Mr. HUANG Yaowen
Prof. JIANG Ping
Mr. CHAN Lap Stanley
Mr. FUNG Wing Lap

The Board is also responsible for the procedures of agreeing to the appointment of its own members and for nominating on first appointment and thereafter at regular intervals by rotation. It reviews the structure, size and composition (including the skill, knowledge and experience) of the Board from time to time and determines the appointments of directors.

To the best knowledge of the Company, Board members do not have any financial, business and family or other material/ relevant relationship with each other. During the year, the Board held five meetings.

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual.

The Company has not appointed a CEO. The role of CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

BOARD OF DIRECTORS (Continued)

Non-executive Directors

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company's articles of association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed four INEDs of whom Mr. Fung Wing Lap is a certified public accountant in Hong Kong. Besides, Mr. Huang Yaowen is practicing lawyer in the PRC.

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

BOARD COMMITTEES

The Board has established three board committees, namely Executive Committee, Audit Committee and Remuneration Committee, to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

Executive Committee

The Company formulated written terms of reference for the Executive Committee, which consists of all the executive directors as follows:

Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Mr. QIN Tian Xiang

The duties of the Executive Committee are empowered to plan, determine, approve, implement, handle, arrange, review and amend all policies, operations and internal control of the Group, ensuring that the delegation of its powers to the senior management is clearly defined, and that a transparent reporting procedural system is in place and effectively monitored. The Executive Committee held four meetings during the year.

BOARD COMMITTEES (Continued)

Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of all INEDs as follows:

Mr. HUANG Yaowen *(Chairman of the Audit Committee)*
Prof. JIANG Ping
Mr. CHAN Lap Stanley
Mr. FUNG Wing Lap

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reports and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

During the year, the Audit Committee held two meetings, in particular, to review with management the accounting principles and practices adopted by the Group and to discuss auditing, financial control, internal control and risk management systems. The Audit Committee has also reviewed the audited accounts for the year ended 31 December 2006 and the unaudited interim results for the six months ended 30 June 2007.

Remuneration Committee

The Company formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Listing Rules. The Remuneration Committee consists of all INEDs as follows:

Mr. HUANG Yaowen *(Chairman of the Remuneration Committee)*
Prof. JIANG Ping
Mr. CHAN Lap Stanley
Mr. FUNG Wing Lap

The Remuneration Committee is responsible for ensuring formal and transparent procedures for formulating remuneration policies and overseeing the remuneration packages of the directors and senior management. It takes into consideration on such factors as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions and desirability of performance-based remuneration. The Remuneration Committee held two meetings during the year.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The following table shows the individual attendance of each director at the meetings of the full Board, the Executive Committee, the Audit Committee and the Remuneration Committee for the year ended 31 December 2007:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Executive Committee**	**Audit Committee**	**Remuneration Committee**
Executive Directors				
Mr. YU Pun Hoi	5/5	4/4	N/A	N/A
Ms. CHEN Dan	5/5	4/4	N/A	N/A
Mr. QIN Tian Xiang	5/5	0/4	N/A	N/A
Non-executive Directors				
Mr. LUO Ning	5/5	N/A	N/A	N/A
Mr. LAM Bing Kwan	5/5	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. HUANG Yaowen	5/5	N/A	2/2	2/2
Prof. JIANG Ping	5/5	N/A	2/2	2/2
Mr. CHAN Lap Stanley	5/5	N/A	2/2	2/2
Mr. FUNG Wing Lap	5/5	N/A	2/2	2/2
Number of meetings held during the year	5	4	2	2

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITOR'S REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2007.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on page 38.

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2007 amounted to HK$2,558,000 and HK$200,000 respectively. An analysis of the remuneration paid to the external auditors of the Company is set out in note 8 to the financial statements.

INTERNAL CONTROLS

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

During the year under review, the Board, through its Audit Committee and Executive Committee, has conducted regular reviews of the effectiveness of the internal control procedures of the Group.

On behalf of the Board

Watt Ka Po James
Company Secretary

Hong Kong, 18 April 2008

Grant Thornton
均富

Member of Grant Thornton International Ltd

TO THE MEMBERS OF
SINO-i TECHNOLOGY LIMITED
（中國數碼信息有限公司）
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sino-i Technology Limited (the "Company") set out on pages 39 to 108, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

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

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

18 April 2008

Consolidated Income Statement

for the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue/Turnover	5(a)	**666,109**	619,273
Cost of sales and services provided		**(126,307)**	(89,922)
Gross profit		**539,802**	529,351
Other operating income	5(b)	**6,268**	4,548
Gain on disposal of subsidiaries	44(a)	**640,820**	–
Gain arising on acquisition of additional interests in subsidiaries		**30,292**	–
Selling and marketing expenses		**(215,407)**	(194,148)
Administrative expenses		**(197,981)**	(161,383)
Other operating expenses		**(91,571)**	(60,121)
Impairment loss on goodwill	17	**–**	(289,800)
Finance costs	7	**(13,729)**	(9,194)
Share of results of an associate		**–**	2,161
Profit/(Loss) before income tax	8	**698,494**	(178,586)
Income tax expense	9	**(5,729)**	(4,932)
Profit/(Loss) for the year		**692,765**	(183,518)
Attributable to:			
Equity holders of the Company	10	**689,800**	(200,263)
Minority interests	37	**2,965**	16,745
Profit/(Loss) for the year		**692,765**	(183,518)
		HK cents	HK cents
Earnings/(Loss) per share	11		
– Basic		**3.46**	(1.01)
– Diluted		**3.46**	N/A

Consolidated Balance Sheet

as at 31 December 2007

	Notes	**2007 HK$'000**	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**132,585**	54,914
Prepaid land lease payments under operating leases	14	**55,212**	12,972
Interest in an associate	16	**–**	–
Available-for-sale financial assets		**324**	324
Goodwill	17	**57,524**	56,047
Deposits	22	**58,989**	274,617
Other intangible assets	18	**98,020**	53,455
		402,654	452,329
Current assets			
Inventories	19	**318,267**	887,152
Financial assets at fair value through profit or loss	20	**2,763**	5,089
Trade receivables	21	**86,041**	145,992
Deposits, prepayments and other receivables	22	**287,667**	643,380
Amount due from ultimate holding company	29	**1,640,830**	–
Cash and cash equivalents	23	**58,321**	43,067
		2,393,889	1,724,680
Current liabilities			
Trade payables	24	**24,292**	16,831
Other payables and accruals	25	**113,816**	109,554
Deferred revenue		**50,261**	61,573
Provision for tax		**28,145**	25,845
Amount due to a director	26	**40,863**	3,020
Amounts due to shareholders	27	**5,006**	5,006
Amount due to a minority shareholder	28	**12,000**	12,000
Amount due to ultimate holding company	29	**–**	52,744
Amount due to an associate	30	**5,507**	6,394
Bank and other borrowings	31	**10,892**	45,652
Finance lease liabilities	32	**–**	99
		290,782	338,718
Net current assets		**2,103,107**	1,385,962
Total assets less current liabilities		**2,505,761**	1,838,291
Non-current liabilities			
Bank and other borrowings	31	**55,099**	14,788
Finance lease liabilities	32	**–**	181
		55,099	14,969
Net assets		**2,450,662**	1,823,322

	Notes	2007 HK$'000	2006 HK$'000
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	34	**199,145**	199,145
Share premium		**39,194**	39,194
Reserves	36	**2,122,967**	1,393,951
		2,361,306	1,632,290
Minority interests	37	**89,356**	191,032
Total equity		**2,450,662**	1,823,322

Yu Pun Hoi
Director

Chen Dan
Director

Balance Sheet

as at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**33**	34
Interests in subsidiaries	15	**105,781**	107,341
Available-for-sale financial assets		**324**	324
		106,138	107,699
Current assets			
Amounts due from subsidiaries	15	**658,538**	941,698
Amount due from an associate	30	**15,661**	15,659
Amount due from ultimate holding company	29	**1,405,221**	151,796
Trade receivables	21	**–**	57,000
Deposits, prepayments and other receivables	22	**1,021**	2,019
Cash and cash equivalents	23	**1,297**	595
		2,081,738	1,168,767
Current liabilities			
Other payables and accruals		**7,971**	5,412
Amounts due to subsidiaries	15	**740,703**	67,755
Amount due to a director	26	**211,188**	132,064
Amounts due to shareholders	27	**5,005**	5,005
Other borrowings	31	**–**	25,468
		964,867	235,704
Net current assets		**1,116,871**	933,063
Total assets less current liabilities/Net assets		**1,223,009**	1,040,762
EQUITY			
Share capital	34	**199,145**	199,145
Share premium		**39,194**	39,194
Reserves	36	**984,670**	802,423
Total equity		**1,223,009**	1,040,762

Yu Pun Hoi
Director

Chen Dan
Director

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Profit/(Loss) before income tax		**698,494**	(178,586)
Adjustments for :			
Depreciation of property, plant and equipment		**21,307**	19,152
Operating lease charges on prepaid land lease		**738**	270
Amortisation of intangible assets		**23,199**	13,532
Gain arising on acquisition of additional interests in subsidiaries		**(30,292)**	–
Gain on disposal of subsidiaries	44(a)	**(640,820)**	–
Write-off of intangible assets		**1,070**	–
(Gain)/Loss on disposal of property, plant and equipment		**(54)**	3,214
Provision for impairment of receivables		**12,539**	16,663
Bad debts written-off		**10,181**	28*
Impairment loss on goodwill		**–**	289,800
Write-off of property, plant and equipment		**452**	872
Share of results of associates		**–**	(2,161)
Equity-settled share-based compensation expenses		**–**	543
Gain on disposal of an associate		**–**	(1,358)
Dividend income from financial assets at fair value through profit or loss		**(69)**	(95)*
Loss on partial disposal of a subsidiary		**–**	1,017
Net fair value gain on financial assets at fair value through profit or loss		**(2,046)**	(25)*
Interest income		**(394)**	(981)
Interest expenses		**13,729**	9,194
Operating profit before working capital changes		**108,034**	171,079
(Decrease)/Increase in amount due to an associate		**(887)**	81
(Increase)/Decrease in inventories		**(3,782)**	1,589
(Increase)/Decrease in trade receivables		**(30,628)**	17,809
Decrease/(Increase) in deposits, prepayments and other receivables		**68,228**	(258,079)*
Increase/(Decrease) in trade payables, other payables and accruals		**18,775**	(34,527)
Increase/(Decrease) in amount due to a director		**68,155**	(2,569)
(Decrease)/Increase in deferred revenue		**(15,022)**	5,853
Increase in amount due to ultimate holding company		**18,234**	28,172
Net cash generated from/(used in) operations		**231,107**	(70,592)
Net income tax (paid)/refund		**(4,655)**	8,281
Net cash generated from/(used in) operating activities		**226,452**	(62,311)

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(85,909)**	(32,198)
Proceeds from disposal of property, plant and equipment		**1,383**	281
Net cash outflow in respect of disposal of subsidiaries	44(a)	**(10,013)**	–
Net cash outflow from acquisition of a subsidiary	44(b)	**–**	(4,074)
Payment to acquire intangible assets		**(63,659)**	(28,435)
Receipts in consideration for disposal of other investments in the previous year		**–**	150,000
Dividend income from financial assets at fair value through profit or loss		**69**	95*
Increase in deposits		**(22,074)**	(38,879)
Interest received		**394**	981
Net cash (used in)/generated from investing activities		**(179,809)**	47,771
Cash flows from financing activities			
Proceeds from bank and other borrowings		**154,847**	34,170
Repayments of bank and other borrowings		**(175,699)**	(31,267)
Repayments of finance lease liabilities		**(285)**	(115)
Repayments to securities brokers and margin financiers		**(1,195)**	(2,421)
Interest paid		**(12,292)**	(11,372)
Net cash used in financing activities		**(34,624)**	(11,005)
Net increase/(decrease) in cash and cash equivalents		**12,019**	(25,545)
Cash and cash equivalents at 1 January		**43,067**	65,458
Effect of foreign exchange rate changes, on cash held		**3,235**	3,154
Cash and cash equivalents at 31 December		**58,321**	43,067

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

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital redemption reserve	Capital distribution reserve	Share option reserve	General reserve	Exchange reserve	Retained profits	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2006	199,145	39,194	2,258	52,622	3,409	(6,550)	17,179	1,496,553	1,803,810	163,054	1,966,864
Exchange differences	–	–	–	–	–	–	28,200	–	28,200	9,217	37,417
(Loss)/Profit for the year	–	–	–	–	–	–	–	(200,263)	(200,263)	16,745	(183,518)
Total recognised income and expense for the year	–	–	–	–	–	–	28,200	(200,263)	(172,063)	25,962	(146,101)
Share-based compensation	–	–	–	–	543	–	–	–	543	–	543
Minority interest arising from partial disposal of a subsidiary	–	–	–	–	–	–	–	–	–	1,017	1,017
Capital contribution by a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	999	999
Released on forfeiture of share options	–	–	–	–	(250)	–	–	250	–	–	–
Transfer to general reserve	–	–	–	–	–	9,178	–	(9,178)	–	–	–
At 31 December 2006 and 1 January 2007	199,145	39,194	2,258	52,622	3,702	2,628	45,379	1,287,362	1,632,290	191,032	1,823,322
Exchange differences	–	–	–	–	–	–	67,915	–	67,915	21,201	89,116
Profit for the year	–	–	–	–	–	–	–	689,800	689,800	2,965	692,765
Total recognised income and expense for the year	–	–	–	–	–	–	67,915	689,800	757,715	24,166	781,881
Released on acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(30,292)	(30,292)
Realised on disposal of subsidiaries	–	–	–	–	–	(401)	(28,298)	–	(28,699)	–	(28,699)
Released on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(95,550)	(95,550)
Released on forfeiture of share options	–	–	–	–	(454)	–	–	454	–	–	–
Transfer to general reserve	–	–	–	–	–	7,231	–	(7,231)	–	–	–
At 31 December 2007	**199,145**	**39,194**	**2,258***	**52,622***	**3,248***	**9,458***	**84,996***	**1,970,385***	**2,361,306**	**89,356**	**2,450,662**

* These reserve accounts comprise the consolidated reserves of HK$2,122,967,000 (2006: HK$1,393,951,000) in the consolidated balance sheet.

1. GENERAL INFORMATION

Sino-i Technology Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office and its principal place of business is 39th Floor, New World Tower I, 16-18 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company and its subsidiaries (the "Group") are principally engaged in property development, corporate IT application services, financial information services and distance learning education services. Details of the principal activities of the Company's subsidiaries are set out in note 15.

The ultimate parent company of the Group is Nan Hai Corporation Limited ("Nan Hai"), a company incorporated and domiciled in Bermuda and its shares are listed on the Hong Kong Stock Exchange.

The financial statements on pages 39 to 108 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

The financial statements for the year ended 31 December 2007 were approved for issue by the board of directors on 18 April 2008.

2. ADOPTION OF NEW AND AMENDED HKFRSs

2.1 Impact of new and revised HKFRSs which are effective during the year

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements beginning on 1 January 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments : Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of these HKFRSs had no material effect on how the results and financial position for the current or prior periods have been prepared and presented but HKAS 1 (Amendment) and HKFRS 7 resulted in expanded disclosures on the Group's capital management policies and, significance of financial instruments and the nature and extent of risk arising from financial instruments used. Accordingly, no prior period adjustment is required.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

2.1 Impact of new and revised HKFRSs which are effective during the year (Continued)

HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in HKAS 1 are detailed in note 48.

HKFRS 7 – Financial Instruments : Disclosures

HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

– a sensitivity analysis explaining the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet line items.

2.2 Impact of new and revised HKFRSs which are issued but not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

Note

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 July 2009

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

2.2 Impact of new and revised HKFRSs which are issued but not yet effective (Continued)

Among these new standards and interpretations, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements.

Amendment to HKAS 1 Presentation of Financial Statements

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

The directors of the Company are currently assessing the impact of the other new and revised HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries and minority interests

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with note 3.15.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

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 cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 3.11) of the associate and its carrying amount.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign currency translation

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.6 Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to the income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment (Continued)

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum :

Buildings	5%
Leasehold improvements, furniture, fixtures and equipment	10% to $33^1/_3$%, or over lease terms whichever involves shorter period
Motor vehicles	10% to $33^1/_3$%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the net sales proceeds and the carrying amount of the assets and is recognised in the income statement.

3.7 Construction in progress

Construction in progress represents assets under construction and is carried at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

3.8 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed as incurred.

3.9 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 3.4.

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.11).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Goodwill (Continued)

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

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

3.10 Computer software

Computer software is recognised initially at cost. After initial recognition, it is carried at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the computer software to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of four years.

3.11 Impairment of assets

Goodwill arising on an acquisition of subsidiary, computer software, development cost, property, plant and equipment and interests in subsidiaries and associates are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, when an assets does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Impairment of assets (Continued)

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) *Properties under development*

The cost of properties under development comprises specifically identified cost, included borrowings costs capitalised (see note 3.8), aggregate cost of development, materials and supplies, wages and other direct expenses. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

(ii) *Completed properties held for sale*

Cost is determined by apportionment of the total land and development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less costs to be incurred in selling the property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below.

Classification of financial assets

Financial assets other than hedging instruments are classified into the following categories: (i) financial assets at fair value through profit or loss, (ii) loans and receivables, and (iii) available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out in note 3.19 below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis;

– the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

Classification of financial assets (Continued)

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in income statement. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Recognition and derecognition of financial assets

All financial assets are recognised when, any only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Loans and receivables

A provision for impairment on loans and receivables carried at amortised cost is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the loans and receivables is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss were recognised. Reversal of impairment losses in such circumstances are recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Cash and cash equivalents

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

3.15 Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and finance lease liabilities. They are included in balance sheet line items as "Bank and other borrowings", "Amount due to a director", "Amounts due to shareholders", "Amount due to a minority shareholder", "Amount due to ultimate holding company", "Amount due to an associate", "Trade payables", "Other payables and accruals" and "Finance lease liabilities".

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments. All interest related charges are recognised as an expense in finance costs in the income statement.

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

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

(i) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(ii) *Trade and other payables*

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(iii) *Finance lease liabilities*

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 3.21).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Deferred revenue

Deferred revenue consists primarily of deferred revenue from prepaid service fees received from subscribers. Revenue from prepaid service fees is recognised when the relevant services are rendered.

3.17 Accounting for income taxes

Income tax for the year comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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 differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.19 Revenue recognition

Revenue comprises the fair value for the sale of goods, and rendering of services and the use by others of the Group's assets yielding interest and royalties, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;

– Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period of time unless there is evidence that some other method better represents the stage of completion;

– Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement; and

– Interest income is recognised on a time-proportion basis using the effective interest method.

3.20 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables, operating cash and financial assets at fair value through profit or loss. Segment liabilities comprise operating liabilities and exclude items such as provision for tax and certain corporate borrowings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Segment reporting (Continued)

Capital expenditure comprises additions to intangible assets and property, plant and equipment.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3.21 Leases

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

(i) *Classification of assets leased to the Group*

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

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) *Operating lease charges as the lessee*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition, unless the fair value cannot be measured reliably, and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3.23 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) 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 terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Employee benefits

(i) *Short-term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(ii) *Retirement benefits scheme*

The Group operates several staff retirement schemes for employees in Hong Kong and Mainland China, the People's Republic of China (the "PRC"), comprising defined contribution pension schemes and a Mandatory Provident Fund ("MPF") scheme. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement schemes are generally funded by payments from employees and by the relevant subsidiaries of the Group.

The subsidiaries operating in Mainland China are required to participate in the defined contribution retirement scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 15% to 22% (depending on the locations of the subsidiaries) of basic salaries of their employees and there are no other further obligations to the Group.

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group was 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the scheme prior to vesting fully in the contributions. There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was also set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's monthly contribution will be 5% of the relevant employee's basic salaries with a maximum monthly contribution of HK$1,000. There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect to defined contribution retirement schemes are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Employee benefits (Continued)

(iii) *Share-based employee compensation*

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognised as an expense in income statement, with a corresponding increase in equity (share option reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to capital reserve. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.25 Related parties

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

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

(b) the party is an associate of the Group;

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Capitalised development costs are stated at cost less accumulated amortisation and accumulated impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred. Amortisation of capitalised development costs is charged to the income statement on a straight-line basis over the assets' estimated useful lives of not more than five years. Both the period and method of amortisation are reviewed annually. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below :

Depreciation and amortisation

The Group depreciates and amortises the property, plant and equipment and intangible assets other than goodwill on a straight line basis over the estimated useful life, and after taking into account of their estimated residual value, using the straight-line method, at the rate 5% to 33 1/3% per annum and 25% per annum, respectively, commencing from the date on which the assets are available for use. The estimated useful life and dates that the Group places the assets into productive use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment and computer software.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

Net realisable value of completed properties held for sale and properties under development

Management determines the net realisable value of completed properties held for sales and properties under development by using prevailing market date such as most recent sale transactions and valuation report provided by independent qualified professional valuers.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates of the future cash flows expected to arise from the cash-generating units and the suitable discount rates in order to calculate the present value.

4.2 Critical judgements in applying the Group's accounting policies

Current tax and deferred tax

The Group is subject to income and other taxes in Mainland China. Significant judgement is required in determining the amount of the provision for taxes and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the provision for income and other taxes and deferred tax in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

5. REVENUE/TURNOVER AND OTHER OPERATING INCOME

		2007 HK$'000	2006 HK$'000
(a)	**The Group's turnover represents revenue from:**		
	Corporate IT application services	**628,064**	585,214
	Financial information services	**21,647**	24,917
	Royalty income	**137**	875
	Distance learning education services	**7,095**	8,267
	Culture and media services	**9,166**	–
		666,109	619,273
(b)	**Other operating income:**		
	Interest income	**394**	981
	Net fair value gain on financial assets at fair value through profit or loss	**2,046**	–
	Sundry income	**3,828**	3,567
		6,268	4,548

6. SEGMENT INFORMATION

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

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segments format: (a) on a primary segment reporting basis, by business segments; and (b) on a secondary segment reporting basis, by geographical segments.

Summary details of the business segments are as follows :

(a) Financial information services

(b) Corporate IT application services

(c) Property development

(d) Distance learning education services

(e) Other segments include trading of securities and culture and media services

6. SEGMENT INFORMATION (Continued)

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the locations of the customers, and assets are attributed to the segments based on the locations of the assets.

The Group's inter-segment sales during the year were related to the provision of financial information services and distance learning education services. Inter-segment revenue is determined by directors and is based on pricing policies similar to those contracted with independent third parties, where applicable.

(a) Business segments

2007

	Financial information services HK$'000	Corporate IT application services HK$'000	Property development HK$'000	Distance learning education services HK$'000	Other segments HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue							
– Sales to external customers	21,647	628,064	–	7,095	9,303	–	666,109
– Inter-segment sales	15,485	–	–	9,859	–	(25,344)	–
	37,132	628,064	–	16,954	9,303	(25,344)	666,109
Segment results	(17,290)	111,930	(3,928)	(1,659)	(6,627)	(15,485)	66,941
Interest income							394
Gain on disposal of subsidiaries							640,820
Gain arising on acquisition of additional interests in subsidiaries							30,292
Unallocated corporate expenses							(26,224)
Finance costs							(13,729)
Profit before income tax							698,494
Income tax expense							(5,729)
Profit for the year							692,765
Segment assets	8,311	601,762	318,808	11,974	25,888	–	966,743
Unallocated assets							1,829,800
Total assets							2,796,543
Segment liabilities	(17,336)	(90,306)	(8,583)	(2,323)	(23,002)	–	(141,550)
Unallocated liabilities							(204,331)
Total liabilities							(345,881)
Other information							
Capital expenditure	1,525	194,145	740	281	2,391	–	199,082
Depreciation and amortisation	747	42,821	–	401	682	–	44,651
Other non-cash expenses	1,259	15,550	–	852	6,527	–	24,188

6. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

2006

	Financial information services HK$'000	Corporate IT application services HK$'000	Property development HK$'000	Distance learning education services HK$'000	Other segments HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue							
– Sales to external customers	24,917	585,214	–	8,267	875	–	619,273
– Inter-segment sales	14,644	–	–	9,372	–	(24,016)	–
	39,561	585,214	–	17,639	875	(24,016)	619,273
Segment results	(283,125)	126,777	(2,068)	5,149	(4,201)	–	(157,468)
Interest income							981
Unallocated corporate expenses							(15,066)
Finance costs							(9,194)
Share of results of associates							2,161
Loss before income tax							(178,586)
Income tax expense							(4,932)
Loss for the year							(183,518)
Segment assets	27,226	687,036	1,340,071	33,171	34,598	–	2,122,102
Unallocated assets							54,907
Total assets							2,177,009
Segment liabilities	(18,666)	(113,483)	(9,150)	(2,401)	(16,837)	–	(160,537)
Unallocated liabilities							(193,150)
Total liabilities							(353,687)
Other information							
Capital expenditure	2,245	56,882	18	608	1,275	–	61,028
Depreciation and amortisation	569	31,042	11	428	634	–	32,684
Impairment loss on goodwill	289,800	–	–	–	–	–	289,800
Other non-cash (income)/expenses	626	20,072	–	129	(103)	–	20,724

6. SEGMENT INFORMATION (Continued)

(b) Geographical segments

2007

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	**53,390**	**612,719**	**666,109**
Other segment information			
Segment assets	**95,503**	**1,060,210**	**1,155,713**
Unallocated assets			**1,640,830**
Total assets			**2,796,543**
Capital expenditure	**850**	**198,232**	**199,082**

2006

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	57,000	562,273	619,273
Other segment information			
Segment assets	69,087	2,107,922	2,177,009
Capital expenditure	408	60,620	61,028

7. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest charges on:		
Bank loans wholly repayable within five years	**11,612**	2,234
Other borrowings wholly repayable within five years	**241**	5,069
Amounts due to securities brokers and margin financiers	**1,437**	1,874
Finance charges on finance leases	**39**	17
Other payables	**400**	4,052
Total interest expenses	**13,729**	13,246
Less: Interest capitalised in properties under development	**–**	(4,052)
	13,729	9,194

The Group did not capitalise any borrowing cost for the year ended 31 December 2007 (2006 : the borrowing costs have been capitalised at 3.82% per annum).

8. PROFIT/(LOSS) BEFORE INCOME TAX

	2007 HK$'000	2006 HK$'000
Profit/(Loss) before income tax is arrived at after charging/(crediting):		
Auditors' remuneration	**2,558**	2,411
Net foreign exchange loss/(gain)	**722**	(3,641)
Gross depreciation of property, plant and equipment – owned assets	**21,187**	19,053
Less: Amounts included in cost of provision of corporate IT application services	**(105)**	–
Amounts capitalised in intangible assets	**(145)**	–
Net depreciation of owned assets	**20,937**	19,053
Depreciation of leased assets	**265**	99
Gross operating lease charges on land and buildings	**39,322**	33,189
Less: Amounts included in cost of provision of corporate IT application services	**(1,251)**	–
Amounts capitalised in intangible assets	**(1,403)**	–
Net operating lease charges on land and buildings	**36,668**	33,189
Operating lease charges on prepaid land lease	**738**	270
Gross retirement benefit contributions	**23,927**	13,687
Less: forfeited contributions	**–**	(17)
Net retirement benefit contributions	**23,927**	13,670
Cost of provision of corporate IT application services	**105,078**	77,743
Cost of provision of financial information services	**7,431**	6,741
Cost of provision of proprietary software	**1,732**	1,923
Cost of provision of culture and media services	**8,846**	–
Cost of inventories sold – distance learning materials	**3,220**	3,515
Cost of sales and services provided	**126,307**	89,922
Provision for impairment of receivables	**12,539**	16,663
Bad debt written off	**10,181**	28
Net (gain)/loss on disposal of property, plant and equipment	**(54)**	3,214
Amortisation of intangible assets *	**23,199**	13,532
Write-off of intangible assets*	**1,070**	–
Write-off of property, plant and equipment	**452**	872
Share-based compensation	**–**	543
Net fair value gain on financial assets at fair value through profit or loss*	**–**	(25)
Gain on disposal of an associate	**–**	(1,358)
Loss on partial disposal of a subsidiary	**–**	1,017

* included in other operating expenses

9. INCOME TAX EXPENSE

	2007 HK$'000	2006 HK$'000
PRC Enterprise Income Tax		
Current tax – tax for the year	**5,308**	6,421
Under/(Over) provision in respect of prior years	**421**	(1,489)
	5,729	4,932

For the year ended 31 December 2007 and 31 December 2006, no Hong Kong profits tax has been provided in the financial statements as the companies within the Group either did not derive any assessable profits in Hong Kong or had unused tax losses brought forward to offset against the current year's assessable profits in Hong Kong.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 33% (2006: 33%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Certain subsidiaries of the Group are wholly-owned foreign enterprises in accordance with the Income Tax Law of the PRC for Enterprise with Foreign Investment and Foreign Enterprises and are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit making year after offsetting prior years' tax losses.

In addition, certain subsidiaries that are located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15% (2006: 15%).

Pursuant to the tax law passed by the Tenth National People's Congress on 16 March 2007, the new EIT rates for domestic and foreign enterprises in Mainland China are unified at 25% with effective from 1 January 2008.

Reconciliation between income tax expense and accounting profit/(loss) at applicable tax rates is as follows:

	2007 HK$'000	2006 HK$'000
Profit/(loss) before income tax	**698,494**	(178,586)
Tax calculated at the rates applicable to the jurisdictions concerned	**105,846**	(46,368)
Tax effect of expenses that are not deductible in determining taxable profit	**16,956**	58,804
Tax effect of non-taxable revenue	**(119,439)**	(3,106)
Tax effect of current year's tax losses not recognised	**11,473**	5,446
Tax effect of utilisation of tax losses previously not recognised	**(9,447)**	(8,363)
Tax effect of temporary differences not recognised	**(81)**	8
Under/(Over) provision in respect of prior years	**421**	(1,489)
Income tax expense	**5,729**	4,932

10. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit for the year attributable to the equity holders of the Company of HK$689,800,000 (2006: consolidated loss of HK$200,263,000), a profit of HK$182,247,000 (2006: HK$34,244,000) has been dealt with in the financial statements of the Company.

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to the equity holders of the Company of HK$689,800,000 (2006: loss of HK$200,263,000) and on 19,914,504,877 (2006: 19,914,504,877) ordinary shares in issue during the year.

The share options have no dilutive effect on the earnings per share for the year ended 31 December 2007 as the exercise price of the options outstanding during the year exceeds the average market price of ordinary shares. Loss per share for the years ended 31 December 2006 was not presented because the impact of the exercise of share option was anti-dilutive.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 HK$'000	2006 HK$'000
Wages and salaries	**288,178**	242,493
Share options granted to directors and employees	**–**	543
Pension costs – defined contribution plans	**25,655**	13,670
Staff welfare	**26,059**	23,012
	339,892	279,718
Less: Amounts capitalised in intangible assets	**(9,460)**	–
	330,432	279,718

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2006					
Cost	–	2,523	126,447	3,871	132,841
Accumulated depreciation	–	–	(86,028)	(3,482)	(89,510)
Net book amount	–	2,523	40,419	389	43,331
Year ended 31 December 2006					
Opening net book amount	–	2,523	40,419	389	43,331
Acquisition of a subsidiary (note 44(b))	–	–	1,178	–	1,178
Additions	–	3,299	28,780	514	32,593
Disposals	–	–	(3,373)	(122)	(3,495)
Depreciation charges	–	–	(19,020)	(132)	(19,152)
Written off	–	–	(872)	–	(872)
Net exchange difference	–	101	1,211	19	1,331
Closing net book amount	–	5,923	48,323	668	54,914
At 31 December 2006					
Cost	–	5,923	148,371	3,850	158,144
Accumulated depreciation	–	–	(100,048)	(3,182)	(103,230)
Net book amount	–	5,923	48,323	668	54,914
Year ended 31 December 2007					
Opening net book amount	–	5,923	48,323	668	54,914
Additions	33,767	14,602	44,401	1,795	94,565
Disposals	–	–	(1,171)	(158)	(1,329)
Disposals of subsidiaries	–	–	(129)	(1,573)	(1,702)
Depreciation charges	(844)	–	(20,248)	(360)	(21,452)
Written off	–	–	(452)	–	(452)
Net exchange difference	1,132	909	5,944	56	8,041
Closing net book amount	**34,055**	**21,434**	**76,668**	**428**	**132,585**
At 31 December 2007					
Cost	**34,928**	**21,434**	**199,464**	**1,849**	**257,675**
Accumulated depreciation	**(873)**	**–**	**(122,796)**	**(1,421)**	**(125,090)**
Net book amount	**34,055**	**21,434**	**76,668**	**428**	**132,585**

The carrying amount of the Group's property, plant and equipment did not include any assets held under a finance lease (2006: HK$296,000). The Group's buildings were charged to secure bank facilities as detailed in note 42.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2006			
Cost	2,377	674	3,051
Accumulated depreciation	(2,231)	(672)	(2,903)
Net book amount	146	2	148
Year ended 31 December 2006			
Opening net book amount	146	2	148
Depreciation	(114)	–	(114)
Closing net carrying amount	32	2	34
At 31 December 2006			
Cost	2,377	674	3,051
Accumulated depreciation	(2,345)	(672)	(3,017)
Net book amount	32	2	34
Year ended 31 December 2007			
Opening net book amount	32	2	34
Depreciation	(1)	–	(1)
Closing net carrying amount	**31**	**2**	**33**
At 31 December 2007			
Cost	**2,377**	**674**	**3,051**
Accumulated depreciation	**(2,346)**	**(672)**	**(3,018)**
Net book amount	**31**	**2**	**33**

14. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

The Group's prepaid land lease payments represent interests in land use rights and are held in Mainland China on leases of between 10 to 50 years.

	Group	
	2007	2006
	HK$'000	HK$'000
Opening net carrying amount	**12,972**	12,736
Additions	**40,713**	–
Annual charges of prepaid operating lease payments	**(738)**	(270)
Net exchange difference	**2,265**	506
Closing net carrying amount	**55,212**	12,972

All the Group's interest in land use rights have been pledged to secure the banking facilities granted to the Group (note 42).

15. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**414,948**	416,508
Less: Provision for impairment losses	**(309,167)**	(309,167)
	105,781	107,341
Amounts due from subsidiaries	**1,933,406**	2,216,566
Less: Provision for impairment of receivables	**(1,274,868)**	(1,274,868)
	658,538	941,698
Amounts due to subsidiaries	**740,703**	67,755

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

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries at 31 December 2007 are as follows:

Name	Country/Place of incorporation/ registration and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
CE Dongli Technology Group Company Limited ("CE Dongli") (note a)	PRC	RMB529,171,334	–	90 (2006:80)	Information technology business
China Enterprise ASP Limited ("CE ASP")	Hong Kong	9,000,000 ordinary shares of HK$1 each	–	100	Investment holding
Dadi Entertainment Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Investment holding
Dadi Media Limited ("Dadi Media")	Hong Kong	2 ordinary shares of HK$1 each	100	–	Investment holding
Evallon Investment Limited ("Evallon")	Hong Kong	10,000 ordinary shares of HK$100 each	–	100	Dormant
Rich King Inc.	British Virgin Islands ("BVI")	50,000 ordinary shares of US$1 each	100	–	Investment holding
Robina Profits Limited	BVI	1 ordinary share of US$1 each	100	–	Trading of securities
Shihua (Hong Kong) Financial Information Company Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	100	–	Provision of financial information
Victorious Limited	BVI	1 ordinary share of US$1 each	100	–	Trading of securities
北京中企開源信息技術有限公司(note b)	PRC	RMB10,000,000	–	90 (2006: 80)	Information technology business
北京世華國際金融信息有限公司(note b)	PRC	RMB130,000,000	–	80	Provision of financial information on the internet
北京金世紀大酒店有限公司 (note b)	PRC	RMB99,600,000	–	100	Property development
北京紅旗中文貳仟軟件技術有限公司("Redflag 2000") (note c)	PRC	RMB10,000,000	–	65	Information technology business

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries at 31 December 2007 are as follows: (Continued)

Name	Country/Place of incorporation/ registration and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage held by the Company directly	Percentage held by the Company indirectly	Principal activities
北京華夏大地遠程教育網絡服務有限公司(note b)	PRC	RMB50,000,000	–	95	Operation of an educational portal and provision of online distance learning education services
北京新網科技發展有限公司 (note b)	PRC	RMB14,485,000	–	90 (2006: 80)	Information technology business
北京新網數碼信息技術有限公司(note b)	PRC	RMB10,000,000	–	90 (2006:80)	Information technology business
廣東大地電影院綫有限公司 (note b)	PRC	RMB10,000,000	–	90	Film distribution
廣東大地影院建設有限公司 (note b)	PRC	RMB83,330,000	–	100	Investment holding

Notes:

a. This subsidiary is registered as joint stock limited company under the law of PRC.

b. These subsidiaries are registered as limited liability company under the law of PRC.

c. These subsidiaries are registered as Sino-foreign co-operative joint venture under the law of PRC.

The above table lists the particulars of the subsidiaries of the Company which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. INTEREST IN AN ASSOCIATE

	Group	
	2007	2006
	HK$'000	HK$'000
Balance at 1 January	**–**	36,458
Share of results of associates		
– profit before income tax	**–**	2,161
– income tax expense	**–**	–
	–	2,161
Disposal of an associate	**–**	(38,628)
Net exchange difference	**–**	9
Balance at 31 December	**–**	–
The carrying amount of interest in associate can be analysed as follows:		
Share of net assets	**–**	–
Goodwill, at cost	**–**	–
Balance at 31 December	**–**	–

The Company had no direct equity interest in the associate as at 31 December 2007 and 31 December 2006.

Particulars of the associate as at 31 December 2007 are as follows:

Name	**Particulars of issued shares**	**Place of incorporation and operations**	**Percentage of interest held by the Group**	**Nature of business**
Genius Reward Company Limited ("Genius Reward") **	2 ordinary shares of HK$100 each	Hong Kong	50%	Inactive

** Genius Reward is an unlisted limited liability company

Summary of financial information of the Group's associate extracted from unaudited financial statements of the associate is as follows:

	2007	2006
	HK$'000	HK$'000
Assets	**25,702**	25,702
Liabilities	**(32,601)**	(31,813)
Loss	**(788)**	(788)

The Group has discontinued recognition of its share of loss of an associate. The amount of unrecognised share of loss of the associate for the year and accumulated unrecognised share of loss of the associate amounted to HK$788,000 (2006: HK$788,000) and HK$3,737,000 (2006: HK$2,949,000) respectively.

17. GOODWILL

		Group	
		2007	2006
	Notes	**HK$'000**	HK$'000
At 1 January			
Gross carrying amount		**345,847**	324,330
Accumulated impairment		**(289,800)**	–
Net carrying amount		**56,047**	324,330
Year ended 31 December			
Opening net carrying amount		**56,047**	324,330
Acquisition of a subsidiary	44(b)	**–**	20,705
Impairment losses		**–**	(289,800)
Net exchange differences		**1,477**	812
Closing net carrying amount		**57,524**	56,047
At 31 December			
Gross carrying amount		**347,324**	345,847
Accumulated impairment		**(289,800)**	(289,800)
Net carrying amount		**57,524**	56,047

For the purpose of the annual impairment test, the carrying amount of goodwill is allocated to the following cash generating units ("CGU"):

	2007	2006
	HK$'000	HK$'000
Financial information services	**–**	–
Corporate IT application services	**57,524**	56,047
Net carrying amount at 31 December	**57,524**	56,047

17. GOODWILL (Continued)

The recoverable amounts for the CGU given above were determined based on value-in-use calculations, covering a detailed five-year budget plan, using the rates stated below.

The key assumptions used for value-in-use calculations:

	Financial information services		Corporate IT application services	
	2007	2006	**2007**	2006
Growth rates	**–**	10%	**10%**	10%
Discount rates	**–**	6.31%	**8%**	6.31%

Another key assumption used in the cash flow projection is a stable profit margins which has been determined based on past experience in the corresponding industry to which the CGU belongs.

For the year ended 31 December 2006, due to the changes in the Group's future development strategic plan, the estimated future cash flow generated by the CGU under the segment of provision of financial information might be of amount below the value of existing goodwill. After assessing all the facts and the development strategy, the management decided to write off the corresponding goodwill.

The growth rate used for each of the above CGU is determined by reference to the average growth rate for the industry to which belongs.

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Apart from the considerations described in determining the value-in-use of the CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

18. OTHER INTANGIBLE ASSETS

Group

	Computer software HK$'000	Development cost HK$'000	Total HK$'000
At 1 January 2006			
Gross carrying amount	44,314	–	44,314
Accumulated amortisation	(7,716)	–	(7,716)
Net carrying amount	36,598	–	36,598
Year ended 31 December 2006			
Opening net carrying amount	36,598	–	36,598
Acquisition of a subsidiary (note 44(b))	129	–	129
Additions	28,435	–	28,435
Amortisation charge for the year	(13,532)	–	(13,532)
Net exchange difference	1,825	–	1,825
Closing net carrying amount	53,455	–	53,455
At 31 December 2006			
Cost	75,331	–	75,331
Accumulated amortisation	(21,876)	–	(21,876)
Net carrying amount	53,455	–	53,455
Year ended 31 December 2007			
Opening net carrying amount	53,455	–	53,455
Additions	51,777	12,027	63,804
Written off	(1,070)	–	(1,070)
Amortisation charge for the year	(23,199)	–	(23,199)
Net exchange difference	4,617	413	5,030
Closing net book amount	**85,580**	**12,440**	**98,020**
At 31 December 2007			
Cost	**132,954**	**12,440**	**145,394**
Accumulated amortisation	**(47,374)**	**–**	**(47,374)**
Net book amount	**85,580**	**12,440**	**98,020**

19. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Property development		
Properties under development	**–**	589,403
Completed properties held for sale	**318,267**	297,749
	318,267	887,152

All the above inventories are stated at cost.

The Group did not have any properties under development to be recovered after more than one year for the year ended 31 December 2007 (2006: HK$589,403,000). All of the other inventories are expected to be recovered within one year.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at market value	**2,763**	5,089

The above financial assets are classified as held for trading.

Changes in fair value of listed equity securities are recorded in other operating income/expenses in the consolidated income statement.

21. TRADE RECEIVABLES

Trade receivables are due on presentation of invoices. The aging analysis of the trade receivables was as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 – 90 days	**14,320**	43,069	**–**	–
91 – 180 days	**79,987**	3,631	**–**	–
181 – 270 days	**1,669**	58,646	**–**	57,000
271 – 360 days	**1,226**	1,468	**–**	–
Over 360 days	**17,118**	58,551	**–**	–
Trade receivables, gross	**114,320**	165,365	**–**	57,000
Less: Provision for impairment of receivables	**(28,279)**	(19,373)	**–**	–
Trade receivables, net	**86,041**	145,992	**–**	57,000

21. TRADE RECEIVABLES (Continued)

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the provision for impairment of trade receivables is as follows:

	2007 HK$'000	2006 HK$'000
At the beginning of the year	**19,373**	6,810
Provision for impairment	**7,434**	12,012
Net exchange difference	**1,472**	551
At the end of the year	**28,279**	19,373

At each of the balance sheet date, the Group's trade receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain trade receivables and appropriate provision for impairment has been made against these trade receivables. The individually impaired receivables are recognised based on the credit history of the customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

Aging analysis of trade receivables that are past due but not impaired is as follows:

	2007 HK$'000	2006 HK$'000
0 – 90 days past due	**14,319**	38,832
91 – 180 days past due	**69,459**	173
181 – 270 days past due	**249**	57,199
271 – 365 days past due	**25**	416
Overdue for more than 360 days	**1,989**	49,372
	86,041	145,992

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group.

Based on past experience, the management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits and prepayments	**74,279**	739,876	**–**	–
Outstanding consideration receivable arising from the disposal of an associate/ other investments	**–**	39,986	**–**	–
Advances to former subsidiaries	**–**	17,310	**–**	–
Others	**290,554**	133,289	**4,743**	5,059
	364,833	930,461	**4,743**	5,059
Less: Provision for impairment of receivables	**(18,177)**	(12,464)	**(3,722)**	(3,040)
	346,656	917,997	**1,021**	2,019
Less non-current portion:				
Deposits for construction in progress	**–**	232,294	**–**	–
Deposits for purchase of intangible assets	**58,989**	33,831	**–**	–
Deposits for purchase of property, plant and equipment	**–**	8,492	**–**	–
	58,989	274,617	**–**	–
Current portion	**287,667**	643,380	**1,021**	2,019

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. The movement in the provision for impairment of other receivables of the Group is as follows:

	2007	2006
	HK$'000	HK$'000
At the beginning of the year	**12,464**	7,831
Provision for impairment	**5,105**	4,651
Amount written off as uncollectible	**–**	(127)
Net exchange difference	**608**	109
At the end of the year	**18,177**	12,464

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank and cash balances	**57,857**	42,614	**833**	142
Short-term deposits	**464**	453	**464**	453
	58,321	43,067	**1,297**	595

The effective interest rates of short-term bank deposits of the Group ranged from 1.75% to 2.55% (2006: 2.55% to 2.8%). These deposits have maturity periods of 28 to 31 days (2006: 28 to 31 days) on inception and are eligible for immediate cancellation without penalty but any interest for the last deposit period would be forfeited.

Deposits with banks earn interest at floating rates based on daily bank deposit rates.

At 31 December 2007, the Group had cash and cash equivalents denominated in Renminbi ("RMB") amounting to approximately HK$54,854,000 (2006: HK$41,262,000), representing deposits placed with banks in Mainland China.

Renminbi is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks which are authorised to conduct foreign exchange business.

The Company did not have any deposits denominated in RMB deposited with banks in Mainland China as at 31 December 2007 (2006: Nil).

24. TRADE PAYABLES

The aging analysis of the trade payables was as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0 – 90 days	**12,100**	11,585
91 – 180 days	**9,128**	1,862
181 – 270 days	**1,306**	383
271 – 360 days	**242**	332
Over 360 days	**1,516**	2,669
	24,292	16,831

25. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals at 31 December 2007 are amounts of HK$12,339,000 (2006: HK$16,411,000) due to certain securities brokers and margin financiers which are secured by shares in Nan Hai being held by certain shareholders of the Group who agreed to pledge their interests in Nan Hai. The amounts due bear interest at the rate of 10% to 11% (2006: 8% to 12%) per annum.

26. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand.

27. AMOUNTS DUE TO SHAREHOLDERS

The amounts due to shareholders are unsecured, interest-free and repayable on demand.

28. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount due to a minority shareholder represents dividends payable to a minority shareholder of a subsidiary which is unsecured, interest-free and repayable on demand.

29. AMOUNT DUE FROM/(TO) ULTIMATE HOLDING COMPANY

The amount due from/(to) ultimate holding company is unsecured, interest-free and repayable on demand.

30. AMOUNT DUE FROM/(TO) AN ASSOCIATE

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount due from an associate	**–**	–	**20,196**	20,194
Less: Provision for impairment of receivables	**–**	–	**(4,535)**	(4,535)
	–	–	**15,661**	15,659
Amount due to an associate	**5,507**	6,394	**–**	–

The amount due from/ (to) an associate is unsecured, interest-free and repayable on demand.

31. BANK AND OTHER BORROWINGS

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank loans	(a)	**65,991**	34,972	**–**	–
Other borrowings	(b)	**–**	25,468	**–**	25,468
		65,991	60,440	**–**	25,468
Secured		**65,991**	60,440	**–**	25,468
Unsecured		**–**	–	**–**	–
		65,991	60,440	**–**	25,468

At 31 December 2007, the bank and other borrowings of the Group and the Company were repayable as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**10,892**	45,652	**–**	25,468
In the second years	**26,268**	200	**–**	–
In the third to fifth years	**28,831**	14,588	**–**	–
Wholly repayable within 5 years	**65,991**	60,440	**–**	25,468
Less: Portion due within one year under current liabilities	**10,892**	45,652	**–**	25,468
Portion due over one year under non-current liabilities	**55,099**	14,788	**–**	–

31. BANK AND OTHER BORROWINGS (Continued)

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**–**	25,468	**–**	25,468
RMB	**65,991**	34,972	**–**	–
	65,991	60,440	**–**	25,468

Notes:

(a) Bank loans amounted to HK$15,804,000 (2006: HK$34,972,000) carry interest rate ranged from 6.93% to 8.22% (2006: ranged from 3.75% to 6.93%). Another amount of HK$50,187,000 (2006: HK$4,625,000) carries interest at floating rate at 7.62% (2006: Hong Kong Dollar Prime rate plus 1% to 8%). The carrying amounts of the borrowings approximate their fair value.

(b) For the year ended 31 December 2006, the loan of HK$25,468,000 granted to the Company by CITIC Capital Credit Limited, an associate of a former substantial shareholder, was secured by certain shares in Nan Hai held by certain shareholders who agreed to pledge their interests in Nan Hai in favour of the Company. The loan bore interest at prime rate plus 8% per annum. According to the loan agreement dated 9 May 2003, the loan was originally due on 9 November 2003. Penalty interest of approximately HK$2,268,000 was accrued and included in other payables and accruals under current liabilities as at 31 December 2006. The carrying amount of this loan approximated its fair value. The loan was repaid during the year.

32. FINANCE LEASE LIABILITIES

		Group	
		2007	2006
		HK$'000	HK$'000
(a)	Total minimum lease payments is as follows:		
	Due within one year	**–**	114
	Due in the second to fifth years	**–**	208
		–	322
	Future finance charges on finance leases	**–**	(42)
	Present value of finance lease liabilities	**–**	280
(b)	The present value of finance lease liabilities is as follows:		
	Due within one year under current liabilities	**–**	99
	Due in the second to fifth years under non-current liabilities	**–**	181
		–	280

32. FINANCE LEASE LIABILITIES (Continued)

On 31 December 2006, the Group had entered into a finance lease for a motor vehicle with lease term of two years. Interest rate under the lease was fixed at 3.75% per annum. The lease did not have options to renew or any contingent rental provisions. Under the lease terms, the Group had the option to purchase the lease asset at a price that was expected to be sufficiently lower than the fair value of the leased asset at the end of the lease.

Finance lease liabilities were secured by the leased motor vehicle where the lessor had the rights to revert in event of default. The carrying amount of the finance lease liabilities were denominated in Hong Kong dollars and approximated its fair value.

33. DEFERRED TAX

As at 31 December 2007, the Group has unrecognised deferred tax asset arising from tax losses of the subsidiaries operating in Hong Kong and in Mainland China of approximately HK$71,391,000 and HK$44,333,000 (2006: HK$124,754,000 and HK$17,656,000) respectively. The amount of unrecognised deferred tax assets are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of temporary differences attributable to:				
– excess of accumulated depreciation over tax depreciation allowance	**–**	81	**–**	81
– unused tax losses	**23,579**	26,974	**7,811**	7,811
	23,579	27,055	**7,811**	7,892

Deferred tax asset in respect of unused tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Mainland China can be carried forward for 5 years and tax losses of the companies within the Group operating in Hong Kong will not be expired under the current tax legislation.

34. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	HK$'000
Authorised:		
At 1 January 2006, 31 December 2006 and **31 December 2007**	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2006, 31 December 2006 and **31 December 2007**	19,914,504,877	199,145

35. SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board.

On 12 November 2004, share options to subscribe for a total of 233,360,000 Sino-i Shares, representing approximately 1.68% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Company and subsidiaries and the persons who have provided research, development or other technological support or services to the Group (the "Consultants") at an exercise price of HK$0.16 per Sino-i Share.

The share options vest upon the commencement of the exercise period, which is determined by the directors at the date of grant.

All the fair value of the share options are recognised as expenses with the corresponding amount credited to share option reserve. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares. The movement of the share options during the year are as follows:

	2007		2006	
	Number	**Weighted average exercise price (HK$)**	Number	Weighted average exercise price (HK$)
Outstanding at 1 January	**70,860,000**	**0.16**	90,460,000	0.16
Forfeited	**(3,310,000)**	**0.16**	(19,600,000)	0.16
Outstanding at 31 December	**67,550,000**	**0.16**	70,860,000	0.16
Exercisable at 31 December	**67,550,000**	**0.16**	69,360,000	0.16

35. SHARE OPTION SCHEME (Continued)

All share options as at 31 December 2006 and 2007 have been accounted for under HKFRS 2 "Share-based Payment". The exercisable periods of the share options of the Company and Group are as follows:

	2007		2006	
	Number	**Weighted average exercise price (HK$)**	Number	Weighted average exercise price (HK$)
Exercisable period:				
1-7-2005 to 30-6-2008	**32,275,000**	**0.16**	33,930,000	0.16
1-7-2006 to 30-6-2008	**32,275,000**	**0.16**	33,930,000	0.16
1-1-2006 to 31-12-2008	**1,500,000**	**0.16**	1,500,000	0.16
1-1-2007 to 31-12-2008	**1,500,000**	**0.16**	1,500,000	0.16
	67,550,000	**0.16**	70,860,000	0.16

At the balance sheet date, the Company had 67,550,000 share options (2006: 70,860,000 share options) outstanding under the Scheme and the options outstanding had a weighted average remaining contractual life of 0.52 years (2006: 1.55 years). The exercise in full of the remaining exercisable share options would under the present capital structure of the Company, result in the issue of 67,550,000 (2006: 69,360,000) additional ordinary shares of the Company and additional share capital of HK$675,500 (2006: HK$693,600) and share premium of HK$10,133,000 (2006: HK$10,404,000) (before issue expenses).

No additional options were granted during the years ended 31 December 2007 and 2006. The fair values of options granted during 2004 of HK$10,571,000 were determined by an independent third party valuer using the Binomial Model, with modification to reflect the impact of vesting period, exit rate and exercise pattern on the option value.

Key assumptions used in the valuation of the options granted on 12 November 2004 include: (i) an expected dividend yield of 0% per annum, (ii) volatility of share price of 53% per annum (estimation of volatility for underlying stock price has considered the history price moment of the Company and other comparable companies with similar business nature, and it is projected on a constant annualised standard deviation on the price moment of 53% to be applied throughout the option's life), (iii) a risk free rate of interest on options exercisable before 30 June 2008 and 31 December 2008 of 2.04% and 2.23% per annum respectively, (iv) that the directors, employees and consultants will exercise their share options if the share price is above the exercise price by 2.5 times, 1.5 times and 1.5 times respectively and (v) an exit rate for directors, employees and consultants of 0%, 15.6% and 0% per annum respectively.

There was no share-based compensation expense included in the income statement for the year ended 31 December 2007 (2006: HK$543,000). No liabilities were recognised due to share-based payment transactions.

36. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 45 of the financial statements.

Notes:

(a) The Group's capital distribution reserve represents the excess of the credit arising from the reduction of nominal value of ordinary shares and share premium account, over the net assets of a subsidiary distributed during the year ended 31 December 2005.

(b) The Group's general reserve includes capital reserve arising from acquisitions of subsidiaries in prior years and statutory reserves.

Subsidiaries of the Company established in Mainland China are required to transfer 10% of their profit after tax calculated in accordance with the PRC accounting regulations to the statutory reserve until the reserve reaches 50% of their respective capital, upon which any further appropriation will be at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

Company

	Capital redemption reserve HK$'000	Share option reserve HK$'000	(note a) General reserve HK$'000	(note b) Retained profits HK$'000	Total HK$'000
At 1 January 2006	2,258	3,409	79,579	682,390	767,636
Profit for the year	–	–	–	34,244	34,244
Share-based compensation	–	543	–	–	543
Released on forfeiture of share options	–	(250)	–	250	–
At 31 December 2006	2,258	3,702	79,579	716,884	802,423
Profit for the year	–	–	–	182,247	182,247
Released on forfeiture of share options	–	(454)	–	454	–
At 31 December 2007	**2,258**	**3,248**	**79,579**	**899,585**	**984,670**

Notes:

(a) The Company's general reserve includes capital reserve arising from acquisitions of subsidiaries in prior years.

(b) Included in the Company's retained profits is an amount of approximately HK$80,022,000 (2006: approximately HK$80,033,000) which represents the balance of the special reserve arising from the Company's capital reduction effected in a prior year. According to the court order dated 21 June 2001 confirming the Company's capital reduction, the Company was required to credit a sum arising from the capital reduction to a special reserve which cannot be treated as realised profit as long as (a) the outstanding liabilities of the Company as at the effective date of the capital reduction (i.e. the "Relevant Debts") are not fully discharged; and (b) the persons to whom the Relevant Debts are due have not agreed otherwise.

37. MINORITY INTERESTS

	Notes	2007 HK$'000	2006 HK$'000
At 1 January		**191,032**	163,054
Profit for the year		**2,965**	16,745
Released on disposal of subsidiaries	44(a)	**(95,550)**	–
Released on acquisition of additional interests in subsidiaries		**(30,292)**	–
Capital contribution to a subsidiary		**–**	999
Partial disposal of a subsidiary		**–**	1,017
Net exchange difference		**21,201**	9,217
As at 31 December		**89,356**	191,032

38. OPERATING LEASE ARRANGEMENTS

(a) At 31 December 2007, the Group and Company's total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Within one year	**24,090**	26,084	**–**	1,844
In the second to fifth years	**12,377**	21,619	**–**	–
	36,467	47,703	**–**	1,844

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2006: one to four years), with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of the leases includes any contingent rentals.

The Company did not enter into any operating leases during the year. The leases run for an initial period of one year for the year ended 31 December 2006 and none of the leases includes any contingent rentals.

38. OPERATING LEASE ARRANGEMENTS (Continued)

(b) At 31 December 2007, the Group's total future minimum lease receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**–**	400
In the second to fifth years	**–**	1,599
After five years	**–**	3,730
	–	5,729

At 31 December 2007 and 31 December 2006, the Company had no outstanding operating lease arrangements as a lessor.

39. CAPITAL COMMITMENTS

At 31 December 2007, the Group had outstanding capital commitments as follows:

	2007 HK$'000	2006 HK$'000
Contracted but not provided for in respect of:		
– construction-in-progress	**4,388**	82,291
– property, plant and equipment	**–**	34,159
– intangible assets	**–**	4,037
	4,388	120,487

At 31 December 2007 and 31 December 2006, the Company had no outstanding capital commitments.

40. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Remuneration of the Company's directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Share-based compens-ations HK$'000	Total HK$'000
Year ended 31 December 2007					
Executive directors					
YU Pun Hoi	–	–	–	–	–
CHEN Dan	–	754	–	–	754
QIN Tian Xiang	–	–	–	–	–
Non-executive directors					
LUO Ning	–	–	–	–	–
LAM Bing Kwan	–	–	–	–	–
Independent non-executive directors					
HUANG Yaowen	124	–	–	–	124
Prof. JIANG Ping	124	–	–	–	124
CHAN Lap Stanley	153	–	–	–	153
FUNG Wing Lap	120	–	–	–	120
	521	754	–	–	1,275

40. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(a) Remuneration of the Company's directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows (Continued):

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Share-based compens-ations HK$'000	Total HK$'000
Year ended 31 December 2006					
Executive directors					
YU Pun Hoi	–	–	–	–	–
CHEN Dan*	–	512	–	49	561
QIN Tian Xiang^	–	–	–	–	–
ZHANG Hong Ren#	–	–	–	–	–
Non-executive directors					
LUO Ning	–	–	–	–	–
LAM Bing Kwan	–	–	–	174	174
Independent non-executive directors					
QIN Tian Xiang^	14	–	–	–	14
HUANG Yaowen**	103	–	–	–	103
Prof. JIANG Ping***	70	–	–	–	70
CHAN Lap Stanley	147	–	–	–	147
FUNG Wing Lap	112	–	–	–	112
	446	**512**	**–**	**223**	**1,181**

Resigned as chief executive officer, executive director with effect from 1 April 2006

^ Re-designated from independent non-executive directors on 14 February 2006

* Appointed as executive director with effect from 14 February 2006

** Appointed as independent non-executive director with effect from 14 February 2006

*** Appointed as independent non-executive director with effect from 1 June 2006

40. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group for the year included one director, details of whose emoluments are set out above (2006: one). The emoluments of the remaining four (2006: four) employees are as follows:

	2007 HK$'000	2006 HK$'000
Basic salaries and housing allowances	**2,959**	2,670
Pension scheme contributions	**33**	36
Share-based compensations	**–**	31
	2,992	2,737

The emoluments of these employees were within the following bands:

Emolument bands	**Number of individuals**	
	2007	2006
Nil – HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**1**	1
	4	4

(c) During the years ended 31 December 2007 and 31 December 2006, no emoluments were paid to any of the Company's directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2007 and 31 December 2006.

41. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	Group		**Company**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
A subsidiary	**–**	–	**50,187**	–
A fellow subsidiary	**–**	49,960	**–**	49,960
Associates (note)	**11,624**	10,839	**11,624**	10,839
Third parties (note)	**65,754**	93,984	**65,754**	92,732
	77,378	154,783	**127,565**	153,531

41. CONTINGENT LIABILITIES (Continued)

Note:

In February 1993, a Group's associate borrowed a loan of US$5 million from a Filipino bank namely Banco de Oro-EPCI Inc. (formerly known as Equitable PCI Bank Inc.) ("EPCIB"), The loan was secured by a guarantee executed by the Company ("EPCIB Guarantee"), and by a share mortgage of 74,889,892 shares ("Philippines Shares") of Acesite (Philippines) Hotel Corporation Inc. ("Acesite Phils."). Due to the pending litigation as mentioned in note 43(a), the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by the associate.

In addition to the EPCIB Guarantee, the Company executed another guarantee in favour of Singapore Branch of Industrial and Commercial Bank of China ("ICBC") in respect of a loan facility of US$15,000,000 ("ICBC Loan") made available to Acesite Phils. in March 1995. Resulting from the purported foreclosure of the Philippines Shares, Acesite Phils. is now being controlled by a third party. The Group does not have updated information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness"), therefore, the fair value of the guarantee for ICBC Indebtedness cannot be ascertained.

42. CREDIT FACILITIES

As at 31 December 2007 and 31 December 2006, the Group's credit facilities were secured by the following:

(a) charge over land use rights with a net carrying value of approximately HK$55,212,000 (2006: HK$12,972,000); and

(b) charge over buildings with a net carrying value of approximately HK$34,055,000 (2006: Nil).

In addition, certain shareholders of Nan Hai have pledged their shareholdings in Nan Hai for the Group's credit facilities.

At 31 December 2006, the Group's credit facilities were also secured by certain bank deposits of a fellow subsidiary of HK$22,282,000 or RMB22,300,000 equivalents.

43. PENDING LITIGATIONS

(a) In respect of the purported sale of the shares ("Philippines Shares") in Acesite (Philippines) Hotel Corporation Inc. ("Acesite Phils."), which were mortgaged by Acesite Limited ("Acesite"), by Banco de Oro-EPCI Inc. (formerly known as Equitable PCI Bank Inc.) ("EPCIB"), a Filipino bank, to Waterfront Philippines Inc. ("Waterfront"), a Filipino company, in February 2003, Acesite, a former subsidiary of the Company; Evallon, a wholly-owned subsidiary of the Company; Mr. Yu, the chairman and executive director of both the Company and Nan Hai, the holding company of the Company; and South Port Development Limited, a former wholly-owned subsidiary of the Company as first, second, third and fourth plaintiff respectively issued a claim against EPCIB and Waterfront, on the grounds that the purported sale of the Philippines Shares was unlawful as such sale was in breach of the terms of the mortgage; in breach of a compromise agreement subsequently reached in January 2003; and in other breaches, for damages; further or other relief; interest and costs and etc. in February 2006 under High Court Number of HCCL 5 of 2006. In May 2007, Acesite Phils. filed a claim against Mr. Yu; Mr. Lam Bing Kwan, a non-executive director of both the Company and Nan Hai; the Company; and Acesite for damages; further or other relief; interest and costs and etc. under High Court Number of HCA498 of 2007. The defendants in both cases have filed their defences respectively to the Court. These two cases are still in progress and no date has been fixed for trial.

(b) Dadi Media, a wholly-owned subsidiary of the Company as plaintiff, issued a claim against two minority shareholders of CE Dongli, a subsidiary of the Company, for the sum of HK$27,750,498.41 together with interest thereon and costs in May 2004 under High Court Number of HCA1130 of 2004. The two defendants filed a defence and counterclaim in June 2004 and then an amended defence and counterclaim in September 2004. The counterclaim was further amended and re-amended. In December 2004, the two defendents issued a claim against CE ASP, a wholly-owned subsidiary of Dadi Media, (1) the sum of HK$806,250; (2) an award of compensation pursuant to section 32P of the Employment Ordinance; (3) the sum of HK$13,000; and (4) interest and costs under High Court Number HCA2892 of 2004. CE ASP filed a defence in March 2005. These two cases are still in progress and no trial date has been fixed.

44. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2007 HK$'000
Net assets disposed of:	
Property, plant and equipment	1,702
Inventories	717,832
Deposits, prepayment and other receivables	376,315
Cash and cash equivalents	10,013
Minority interests (note 37)	(95,550)
Other payables and accruals	(294)
Amount due from ultimate holding company	28,293
Amount due to intermediate holding company	(938,016)
Finance lease liabilities	(844)
	99,451
Exchange reserve realised on disposal	(28,298)
General reserves released on disposal	(401)
Net gain on disposal of subsidiaries	640,820
	711,572
Satisfied by:	
Cash - receivable from ultimate holding company	711,572

The analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007 HK$'000
Cash and cash equivalents	(10,013)

The subsidiaries disposed of consumed HK$7,653,000, HK$1,590,000 and HK$324,000 of the Group's cash flows relating to operating, investing and financing activities respectively during the year ended 31 December 2007.

(b) Business combination

On 8 September 2006, the Group, through a wholly-owned subsidiary, entered into sales and purchase agreement with the equity holders of Redflag 2000 to acquire 65% of its equity interest for a consideration of HK$9,442,000.

Redflag 2000 operates mainly in information technology business. The acquired business contributed revenues of HK$6,229,000 and net profit of HK$2,572,000 to the Group for the period from the date of acquisition up to 31 December 2006. Due to a lack of HKFRS-specific data prior to the acquisition of these subsidiaries, pro-forma profit or loss of the combined entity for the year can not be determined reliably.

44. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Business combination (Continued)

Details of the assets and liabilities acquired and the corresponding goodwill are as follows:

	2006 HK$'000
Cash consideration	9,442
Fair value of net liabilities acquired	11,263
Goodwill (note 17)	20,705

The assets and liabilities arising from the acquisition are as follows:

	2006 HK$'000
Property, plant and equipment	1,178
Intangible assets	129
Trade receivables	3,672
Deposits, prepayment and other receivables	844
Cash and cash equivalents	426
Trade payables	(169)
Accruals and other payables	(17,343)
Net liabilities acquired	(11,263)

The acquirees' carrying values of net liabilities acquired at the date of acquisition approximate their fair values as disclosed above. The goodwill is attributable to the future profitability of the above subsidiary acquired and the significant synergies expected to arise after the Group's acquisition.

The net cash outflow arising from the acquisition are as follows:

	2006 HK$'000
Purchase consideration	
– Cash consideration	9,442
– Consideration payables	(4,942)
Settled in cash	4,500
Cash and cash equivalents in subsidiary acquired	(426)
Cash outflow on acquisition	4,074

44. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Major non-cash transactions

During the year ended 31 December 2007, the Group had the following major non-cash transactions:

(i) The repayment from trade and other receivables of HK$114,980,000 was received by Nan Hai on behalf of the Group.

(ii) The repayment from trade and other receivables of HK$30,312,000 was received by a director on behalf of the Group.

(iii) The other borrowing of HK$25,468,000 was repaid by Nan Hai on behalf of the Group.

(iv) The amount due from the disposed subsidiaries of HK$938,016,000 was repayable by Nan Hai on their behalf.

During the year ended 31 December 2006, the Group acquired a motor vehicles of HK$395,000 by entering into finance lease arrangements.

45. RETIREMENT BENEFIT PLANS

Defined contribution retirement plans

The Group operates a MPF scheme and an ORSO scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

Subsidiaries operating in Mainland China are required to participate in a defined contribution retirement benefit plan organised by the relevant government authorities. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total cost charged to the consolidated income statement of HK$23,927,000 (2006: HK$13,670,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

There is no outstanding contribution payable to the MPF Scheme as at 31 December 2007 and 2006.

46. RELATED PARTY TRANSACTIONS

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 40.

Except as disclosed elsewhere in these financial statements, there was no material related party transaction carried out during the year.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial assets and liabilities include bank balances and cash, equity investments, borrowings, trade receivables and trade payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

47.1 Foreign currency risk

The Group's exposure to currency exchange rate is minimal as majority of the subsidiaries of the Group operates in Mainland China with most of the transactions denominated and settled in Renminbi. The Group currently does not have a hedging policy on foreign currency risk but the management would consider hedging significant foreign currency exposure should the need arises.

47.2 Interest rate risk

The Group is exposed to interest rate risk through the impact of interest rate changes on interest bearing bank and other borrowings (bank and other borrowings carry interests at variable rates and fixed rates) and cash and cash equivalents. The interest rates and repayment terms of bank and other borrowings and cash and cash equivalent of the Group are disclosed in note 31 and 23 respectively. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arises.

Interest rate sensitivity

At 31 December 2007, the Group was exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates. The following table illustrates the sensitivity of the profit after tax for the year and retained earnings to a change in interest rates of +1% and -1% (2006: +1% and -1%), with effect from the beginning of the year. The calculations are based on the Group's and the Company's bank and other borrowings and bank balance held at each balance sheet date. All other variables are held constant.

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
If interest rates were 1% (2006: 1%) higher				
Net profit/(loss) for the year	**(97)**	(2)	**13**	(249)
If interest rates were 1% (2006: 1%) lower				
Net profit/(loss) for the year	**97**	2	**(13)**	249

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

47.3 Price risk

The Group is exposed to equity price risk through its investment in listed equity securities which are classified as at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise. The Group is not exposed to commodity price risk.

At 31 December 2007, if equity prices had increased/decreased by 5% and all other variables were held constant, profit after tax for the year would increase/decrease by approximately HK$138,000 (2006: loss for the year would decrease/increase by approximately HK$254,000). This is mainly due to the changes in financial assets at fair value through profit or loss. This sensitivity analysis has been determined assuming that the price change had occurred at the balance sheet date and had been applied to the Group's investment on that date.

47.4 Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations and financial guarantees provided by the Group is arising from:

– carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

– the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 41.

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable regularly at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 21.

47.5 Liquidity risk

As at 31 December 2007, the Group had net current assets of HK$2,103,107,000 and net assets of HK$2,450,662,000. The management considered the liquidity risk to be minimal.

The Group exercised liquidity risk management policy by maintaining sufficient cash and cash equivalents level deemed adequate to finance the Group's operations, investment opportunities and expected expansion.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

47.5 Liquidity risk (Continued)

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet dates of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rate or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within one year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2007					
Trade payables	**24,292**	**24,292**	**24,292**	**–**	**–**
Other payables and accruals	**113,816**	**113,816**	**113,816**	**–**	**–**
Amount due to a director	**40,863**	**40,863**	**40,863**	**–**	**–**
Amounts due to shareholders	**5,006**	**5,006**	**5,006**	**–**	**–**
Amount due to a minority shareholder	**12,000**	**12,000**	**12,000**	**–**	**–**
Amount due to an associate	**5,507**	**5,507**	**5,507**	**–**	**–**
Bank and other borrowings	**65,991**	**79,120**	**16,016**	**30,454**	**32,650**
	267,475	**280,604**	**217,500**	**30,454**	**32,650**
As at 31 December 2006					
Trade payables	16,831	16,831	16,831	–	–
Other payables and accruals	109,554	109,554	109,554	–	–
Amount due to a director	3,020	3,020	3,020	–	–
Amounts due to shareholders	5,006	5,006	5,006	–	–
Amount due to a minority shareholder	12,000	12,000	12,000	–	–
Amount due to ultimate holding company	52,744	52,744	52,744	–	–
Amount due to an associate	6,394	6,394	6,394	–	–
Bank and other borrowings	60,440	63,918	47,178	1,225	15,515
Finance lease liabilities	280	322	114	114	94
	266,269	269,789	252,841	1,339	15,609

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

47.5 Liquidity risk (Continued)

Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within one year HK$'000
As at 31 December 2007			
Other payables and accruals	**7,971**	**7,971**	**7,971**
Amounts due to subsidiaries	**740,703**	**740,703**	**740,703**
Amount due to a director	**211,188**	**211,188**	**211,188**
Amounts due to shareholders	**5,005**	**5,005**	**5,005**
	964,867	**964,867**	**964,867**
As at 31 December 2006			
Other payables and accruals	5,412	5,412	5,412
Amounts due to subsidiaries	67,755	67,755	67,755
Amount due to a director	132,064	132,064	132,064
Amounts due to shareholders	5,005	5,005	5,005
Other borrowings	25,468	25,468	25,468
	235,704	235,704	235,704

47.6 Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are in short-term nature: cash and cash equivalents, financial assets at fair value through profit or loss, trade receivables and payables, other receivables and payables, bank and other borrowings, amount due to a director/shareholders/minority shareholder/ultimate holding company/associate. Analysis of the interest rate and carrying amounts of borrowings are presented in note 31 to the financial statements.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

47.7 Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at balance sheet dates may be categorised as follows. See notes 3.13 and 3.15 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale financial assets	**324**	324	**324**	324
Financial assets at fair value through profit or loss	**2,763**	5,089	**–**	–
Loans and receivables:				
Trade receivables	**86,041**	145,992	**–**	57,000
Other receivables	**272,377**	178,121	**1,021**	2,019
Amount due from ultimate holding company	**1,640,830**	–	**1,405,221**	151,796
Amounts due from subsidiaries	**–**	–	**658,538**	941,698
Amount due from an associate	**–**	–	**15,661**	15,659
Cash and cash equivalents	**58,321**	43,067	**1,297**	595
	2,060,656	372,593	**2,082,062**	1,169,091
Financial liabilities				
Financial liabilities measured at amortised cost:				
Trade payables	**24,292**	16,831	**–**	–
Other payables and accruals	**113,816**	109,554	**7,971**	5,412
Amount due to a director	**40,863**	3,020	**211,188**	132,064
Amounts due to subsidiaries	**–**	–	**740,703**	67,755
Amounts due to shareholders	**5,006**	5,006	**5,005**	5,005
Amount due to a minority shareholder	**12,000**	12,000	**–**	–
Amount due to ultimate holding company	**–**	52,744	**–**	–
Amount due to an associate	**5,507**	6,394	**–**	–
Bank and other borrowings	**65,991**	60,440	**–**	25,468
Finance lease liabilities	**–**	280	**–**	–
	267,475	266,269	**964,867**	235,704

48. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, maintain a strong credit rating and a healthy capital ratio to support the business and to enhance shareholder value.

The Group manages its capital structure and make adjustments to it in light of changes in economic conditions and business strategies. To maintain or adjust the capital structure, the Group may adjust the dividend payables to shareholders, issue new shares or raise and repay debts. The Group's capital management objectives, policies or processes were unchanged during the year ended 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings and finance lease liabilities less cash and cash equivalents as shown in the consolidated balance sheet. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at the balance sheet date were as follows:

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Current liabilities				
Bank and other borrowings	**10,892**	45,652	**–**	25,468
Finance lease liabilities	**–**	99	**–**	–
Non-current liabilities				
Bank and other borrowings	**55,099**	14,788	**–**	–
Finance lease liabilities	**–**	181	**–**	–
Total debt	**65,991**	60,720	**–**	25,468
Less: Cash and cash equivalents	**(58,321)**	(43,067)	**(1,297)**	(595)
Net debt	**7,670**	17,653	**(1,297)**	24,873
Total equity	**2,450,662**	1,823,322	**1,223,009**	1,040,762
Total equity plus net debt	**2,458,332**	1,840,975	**1,221,712**	1,065,635
Gearing ratio	**0.31%**	0.96%	**N/A**	2.33%

49. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party to dispose of its 100% equity interest in a subsidiary, 北京金世紀大酒店有限公司 (Beijing Golden Century Hotel Limited) ("Beijing Golden Century"), and inter-company loans that Beijing Golden Century owed to Nan Hai and its subsidiaries for a total consideration of HK$320,340,000.

Completed properties held for sale

Location	Interest attributable to the Group in percentage	Total gross floor area on completion in sq.m. (approx.)	Type of development
Phase II of Golden Era Hotel, located at No. 1 Dong San Huan Road South, Chao Yang District, Beijing, the PRC	100	25,193	Commercial

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years/periods is set out as follows:

	Year ended 31 December 2007 HK$'000	Year ended 31 December 2006 HK$'000	Year ended 31 December 2005 HK$'000	Year ended 31 December 2004 HK$'000	Nine months ended 31 December 2003 HK$'000
Revenue/Turnover	**666,109**	619,273	496,249	530,378	404,199
Profit/(Loss) for the year	**692,765**	(183,518)	270,159	91,362	115,142
Minority interests	**(2,965)**	(16,745)	(6,143)	(8,783)	(34,171)
Profit attributable to equity holders of the Company	**689,800**	(200,263)	264,016	82,579	80,971
Total assets	**2,796,543**	2,177,009	2,276,691	5,572,107	5,914,912
Total liabilities	**(345,881)**	(353,687)	(309,827)	(1,130,619)	(1,917,581)
	2,450,662	1,823,322	1,966,864	4,441,488	3,997,331

WWW.SINO-I.COM