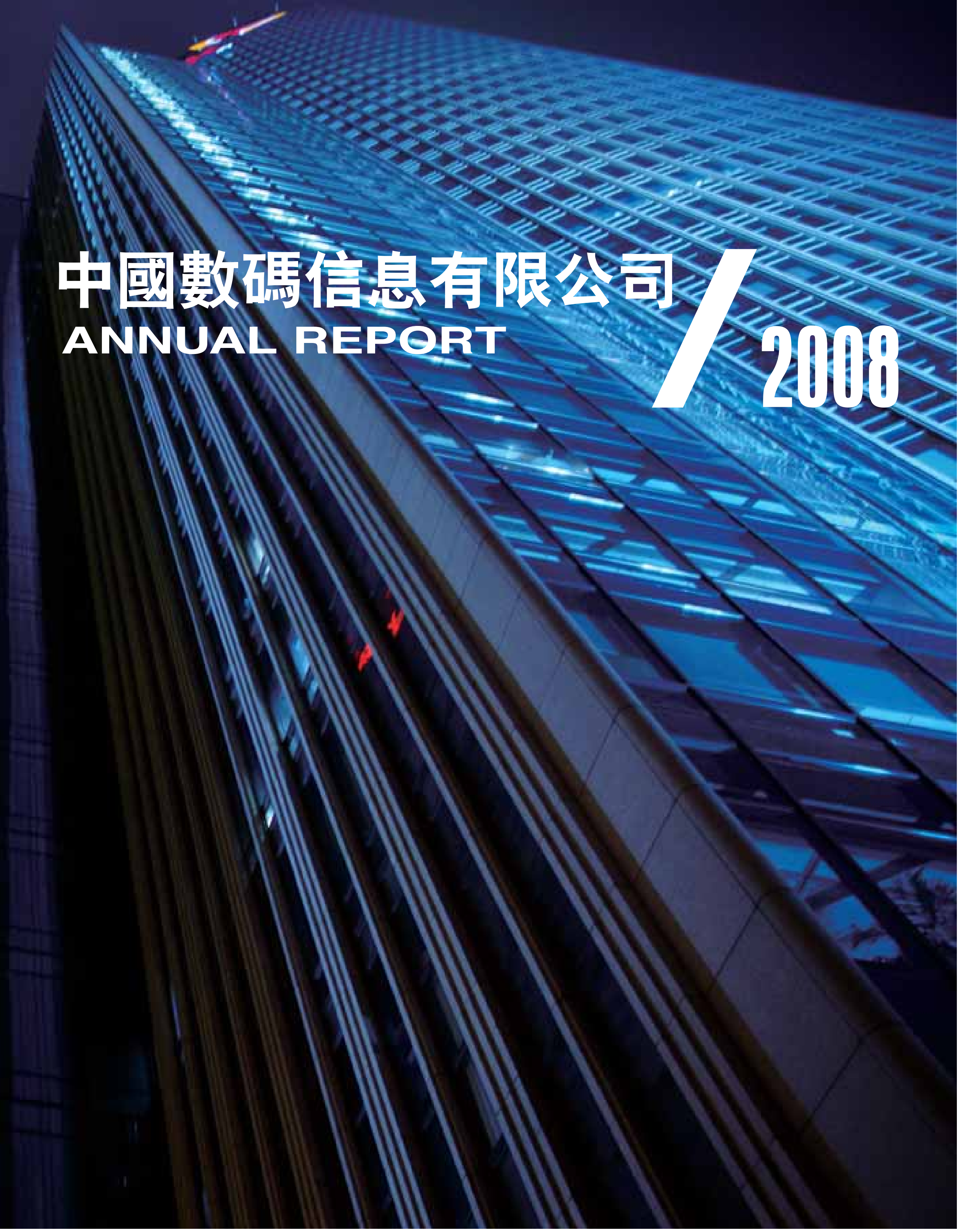
中國數碼信息有限公司 ANNUAL REPORT 2008



Sino-i Technology Limited

Stock Code: 250

股份代號：250

CONTENTS

CORPORATE INFORMATION

DIRECTORS

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

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

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

COMPANY SECRETARY

Mr. WATT Ka Po James

AUDITORS

Grant Thornton
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

K&L Gates

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

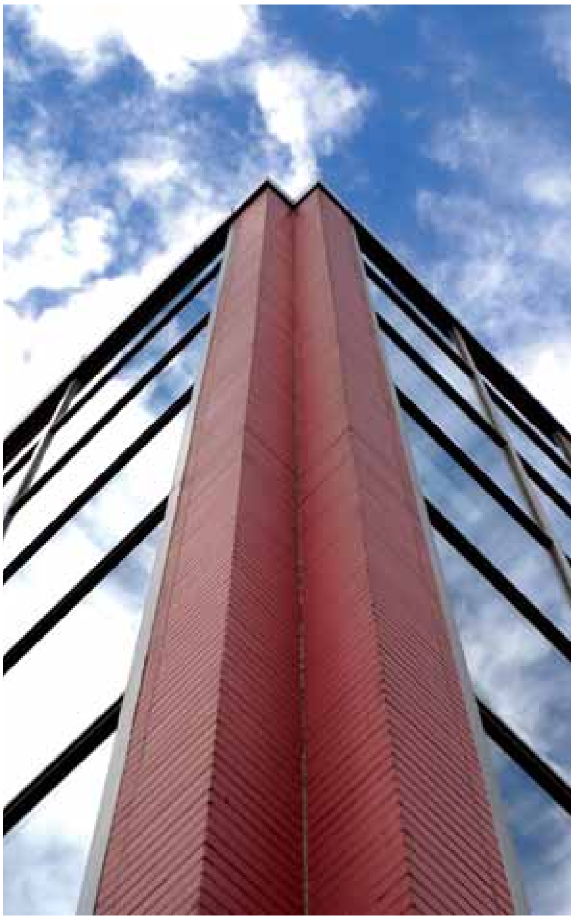
CHAIRMAN'S STATEMENT

2008 was a year for the Company and its subsidiaries (collectively the "Group") continuing its adjustments. Basing on the preliminary results in the comprehensive reformation last year, the Group continued to focus on the development of corporate IT application services, financial information services and distance learning education services. However, the results slumped substantially by comparing with last year, which were mainly attributable to: firstly, the SMEs in China, the major customers of the Group, were adversely affected by the macro-economic control environment which led many SMEs to suffering from operating difficulties as well as the market was in shrinking trend, which all directly affected the turnover of the Group's major subsidiaries; and secondly, enactment of new labour contract law and general increase in employee's standard benefits have caused labour costs of the Group higher than expected, which posed a greater negative effect on the Group's overall profit.

In light of the above circumstances, the management of the Group carried out aggressive adjustments and proper expansion; re-organized each business and re-affirmed the core businesses; simplified corporate structure; and reinforced sales, which all got a certain progress. 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"), the subsidiaries of the Company, continued to maintain their respective leading position in the industry. Financial information services achieved greater growth and distance learning education services developed rapidly in recent years.

The Group has strictly complied with the policies and laws of China. Although the introduction of new labour contract law and the risen standard of staff benefits resulted in higher labour costs, the Group's strict compliance enhanced its competitiveness in the labour market, making it has an advantage in attracting and retaining talents.

Meanwhile, as the Group continued to deploy relatively more resources in R&D, its R&D capability was strengthened up continuously; its authority in the industry was enhanced; and some new products and services with competitive edge were launched to the market.



I. IT MARKET REVIEW

In 2008, due to the consolidated effects by both factors of global financial crisis and China domestic macro-economic control in 2007, economic growth in China emerged a slow-down phenomenon. According to the forecast in an annual report of Asian Development Bank, the economic growth in China will slow down from 11.9% in 2007 to about 10% in 2008, and will further decrease in 2009.

Apart from macro-economic environment, China also suffered natural disasters in 2008. Affected by various adverse factors, many SMEs faced operation difficulties and cut down IT expenses in general, which in turn caused the corporate IT market to shrink and adversely affected the business growth of the Group. Consumer Price Index (CPI) and Producer Price Index (PPI) in China were both at high level in the first half of 2008, which added pressure on the operating costs of the Group.

II. BUSINESS DEVELOPMENT

Corporate IT Application Services

For IT application services sector, the Company secured its market leadership through its subsidiaries, CE Dongli and Xinnet, and further consolidated and strengthened its leading position in 2008.

2008 was a year in which CE Dongli underwent intensive reformation. CE Dongli will persist in its direction in operation development of IT application services; and in expanding physical business network and operation services as well as enhancing its technological and product experiences. Given the Group's deep understanding to the needs in SME's IT market accumulated for years, CE Dongli successfully launched a series of IT service products, such as "Digital Business Z" (數商Z) and "ZMail" (Z郵局), and as a result, its leading position in the markets of website development, mailbox, and network promotion in China was strengthened, and its professional IT operation image was established. Meanwhile, by means of upgrading of operating service systems, CE Dongli further enhanced its service quality and operation ability.

2009 will be a year of continuing reform and development for CE Dongli. CE Dongli will base on its development foundation in 2008 further ascertain and affirm its development direction, and keep promoting and perfecting its product and service strategies to satisfy SMEs' IT demands in China; expanding its business ability; focusing on customer relationship; enhancing customer experience; and creating customer value for driving CE Dongli to the vertical integration of IT operation.

In 2009, Xinnet will greatly expand its internet application value-added services such as virtual-hosting, mailbox, server rental and virtual private server (VPS), and increase its IT infrastructure service operation's capability.

For the internet B2B service market, "yidaba.com", an enterprise portal recently acquired by the Group, persistently aimed at gathering SMEs by means of network for developing a business circle for SMEs, and successfully launched an online direct sale electronic business services in 2008. The business model is coming in to shape, which will be a solid foundation for future development.

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"), a subsidiary of the Company, persisted the concept of basing open source software and promulgated open source standard as well as comprehensive self innovation. In 2008, Redflag 2000 further strengthened its position as a leading open source enterprise in China, and explored ways and methods for Chinese enterprises participating to international open source community, thus it was highly recognized by the international community OpenOffice.org. It successfully held the 6th OpenOffice.org international annual conference, the scale and impact of which out-performed the previous conferences. Currently, Redflag 2000 has become the second largest technological power in the world community (SUN Microsystems is the most powerful one). In addition, Redflag 2000 has facilitated the progress of Chinese UOF standard, and made valuable contribution to the promotion of the Chinese standard.

In 2008, Redflag 2000 achieved relatively significant progress in technology innovation and product R&D, it successively launched RedOffice4.0 and products in many other different versions. Meanwhile, Redflag 2000 further strengthened its strategic cooperation with 北京龍芯中科技術服務中心有限公司 (Beijing Loongson Technology Service Co., Ltd.) ("Loongson"), and sped up the realization of nationwide commercialization of solutions. RedOffice in Loongson version pre-installed in Loongson notebooks will be widely used for basic IT education in China.

In 2009, on top of its success achieved in 2008, Redflag 2000 will launch a comprehensive promotion campaign on internet for promoting the use of RedOffice as a main tool for providing IT application services. In the meantime, to coordinate with the national policy of self-development in IT industry, Redflag 2000 will gradually increase the application in major business sectors and strengthen the strategic cooperation with Loongson, and to further promote the comprehensive solution of open source software and Loongson CPU in basic education sector and e-Government service sector, for making contributions to enhance self innovative abilities in IT industry in China.

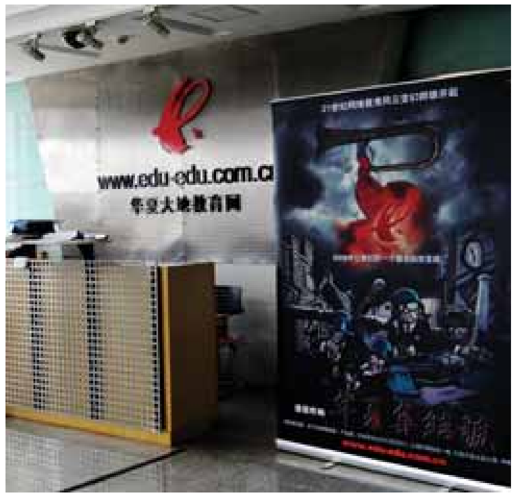
Financial Information Services

The outbreak of the global financial crisis in 2008 may make China to be the greatest force to drive up the world economy during the recession period. Facing the global economic crisis and the uncertainty of the financial market, China investors should emphasize on rational and prudent investments, broadening their view and using professional financial information analysis and data to establish their investment strategies. Financial institutions have gradually placed much importance on the advantages and differences between domestic and international real-time professional market information analyses, and the demand for comprehensive and integrative information analyses will increase gradually. 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) ("Shihua"), a subsidiary of the Company, will take advantage of the above opportunity and focus on the demand for international information by domestic financial institutions, through reinforcing its international financial information services and cooperating with major stock exchanges around the world, to become the first financial information provider in China to provide market trend data with official authorization from international stock exchanges, and to lead domestic financial information industry towards the professional and international standards. On the other hand, the impact of financial crisis on such financial institutes as banks and securities firms is to reduce their overall expenses on IT outsourcing services in the short run, which directly affect the operation results of Shihua.

In 2008, "世華財訊 (Shihua Caixun)", a product and service brand managed and operated by Shihua, entered into cooperation agreements with major stock exchanges around the world, and became the first financial information provider in China with official authorization from various international stock exchanges. The international market data value-added services provided by "Shihua Caixun" include such benchmark products as major energy, metal, agricultural products, FX and derivatives in Europe and the US provided by the aforesaid international exchanges. The international information value-added services are distributed through i-cube dual monitor wealth management terminals and a-cube financial terminal product series of "Shihua Caixun".

In addition, Shihua has extended its professional advantage from corporate market to general public market. "Caixun.com" through its value-added services, such as financial information, investment and wealth management knowledge, wealth management community and analysis reports, and its nationwide marketing campaigns, has gradually gained recognition in the industry.

In 2009, Shihua will continue its strategic cooperation with well-known international financial information and analysis institutions in the relevant field, with an aim to strengthen its advantage as an authoritative local institution. Besides, Shihua will keep improving and enhancing its ability, and persist to lead the development of the financial sector in China with information analyzing standards that comply with international professional standards. The Group believes that these efforts will be accepted by the market and society.



Distance Learning Education Services

In 2008, 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"), a subsidiary of the Company, made aggressive and effective adjustments to its headcount and business structures. Chinese Dadi maintained its leading position in distance learning education industry and also recorded continuous growth in the number of students for first time and repeating subscription.

Through its comprehensive product mix, well-established learning support service system, flexible online sales model, close cooperation with examination centres of Ministry of Education, various local examination institutions and famous tertiary institutions, Chinese Dadi has strengthened its brand image and facilitated continuous growth in its operating results.

In 2009, Chinese Dadi will keep focusing on the individual learning market, optimizing the online course subscription procedures, increase user's loyalty to the website and increase the conversion rate from website users to students so as to strive to develop as the Number One website for continuing education in China.

III. TECHNOLOGICAL DEVELOPMENT

In 2008, the Group continued to increase overall investment in technology and R&D, including recruitment, technology R&D, development management, quality control and external cooperation, etc., making the size and overall ability of its technical team prominently increased and enhanced. 北京中企開源信息技術有限公司 (Beijing CE Open Source Software Co., Ltd.) ("CE Open"), a subsidiary of the Company, used the strategies of self-R&D and technological integrations and continued to promote the common use of open source technology in accordance with publicly assessed, open sourced and standardized technology manner.

With respect to R&D, CE Open focused on software R&D for services industry, and designed and developed series of products for different sectors, such as business support, operational support, digital business, digital management, digital communication, multimedia and finance, and established its leading position in the service R&D sector. Meanwhile, as the chairing unit of "Changfeng Open Standards Platform Software Alliance", CE Open actively promoted the application and development of domestic basic software, and used every effort to encourage Chinese software developers to transform to service providers by proposing a Chinese style service system SaaS (Software as a Service). SaaS used SPS (Server + Platform + Software) as the core to set up a standard and regulatory framework that suits IT service operation in China.

With respect to technology operation, CE Open's business concept was user-oriented as well as provision of personalized services for users, flexible services in response to market demands, and comprehensive IT operating services. Based on the practical IT operation in ITIL (IT Infrastructure Library), CE Open provided one-stop IT services from service planning, service design, service exchange, service operation to continuous service improvement, and guaranteed its service quality to customers by entering into SLA (Service Level Agreement). The Suzhou IDC newly established in 2008, together with the existing Beijing IDC and Guangzhou IDC formed a nationwide coverage of the three major IDCs of Northern, Southern and Eastern China, realizing the mutual connection and access across the entire network. Through technological development and improvement in the work flow, CE Open further enhanced the efficiency of service operation and lowered the operating costs, and established its leading position in the technology operation sector.

CE Open will keep its steady development in 2009. As more and more enterprises, government and business units in China accept SaaS, and traditional software developers and systems integration manufacturers transform to service providers, CE Open's advantage in service operation will become more prominent. Meanwhile, relevant government authorities also aggressively promote the development of software services industry and set up relevant supporting policies. CE Open will actively strive for participating in major government projects, and make contribution to technology innovation of basic software, innovative application of application software and the growth of software service industry in China.

IV. CONCLUSION

Resulting from globalization of financial industry nowadays, China can no longer stay alone without considering the others. As China needs to keep adjusting her financial and monetary policies in order to tackle the adverse effect brought by the economic crisis, together with the various challenges arising from economic effect of the post-Olympic, the economy still needs time to recover. It is expected that China's economic situation in 2009 will still be affected by the poor economic condition in 2008, economic growth rate will continuously slow down and corporations will continuously cut down IT expenses, which will be a huge challenge to the Group's businesses.

Meanwhile, the Group also notes the existence of opportunities. Internet sector in China is always full of hot issues and new trends. As internet based corporate IT application services not only lower down the cost of information for enterprises but also help enterprises to expand their markets with relatively higher price performance ratio during the time of economic downturn and cutting down of expenses of all kinds by enterprises. From this point of view, the products and services of the Group have perfectly met the demands of our corporate customers, as such, it has become an opportunity for development in 2009.

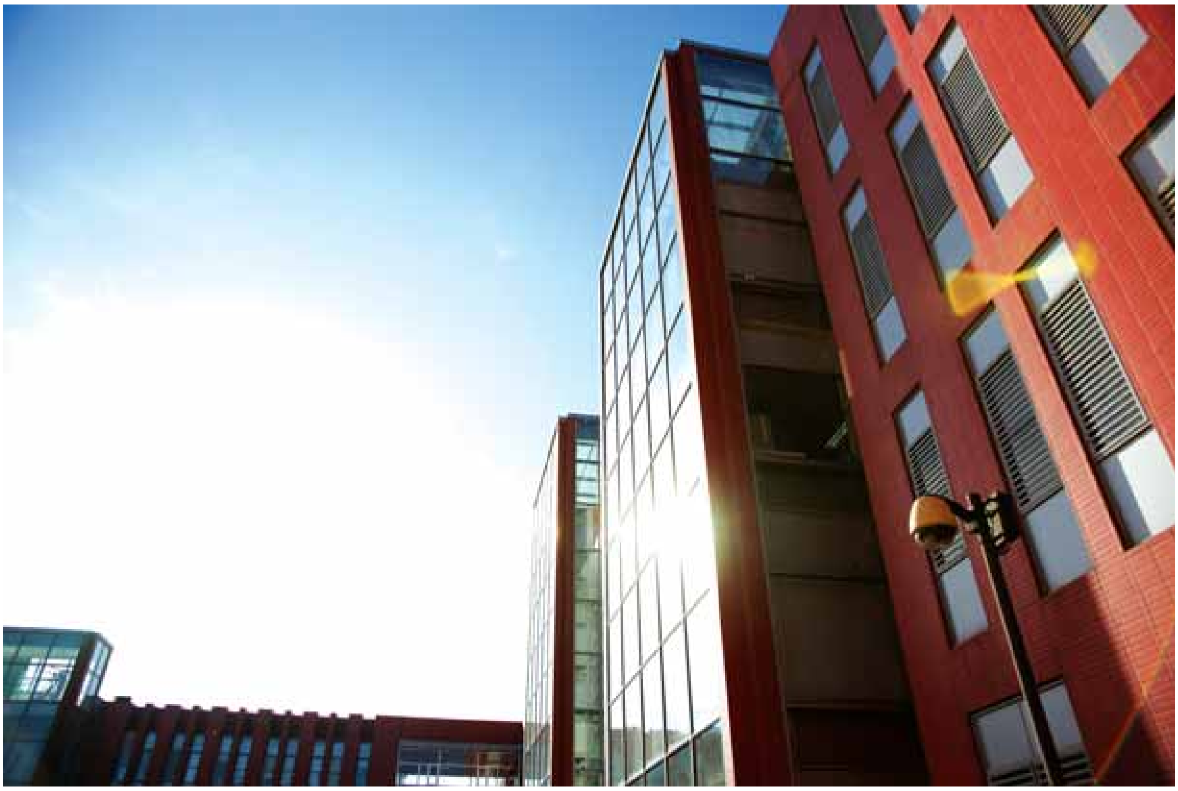
The Group proactively adjusted its product strategies and customer strategies in both 2007 and 2008, the Group has established a solid and strong product base, client base and technical abilities. Coping with the macro-economic control policy adjustments, the Group at the same time will continue to endeavor to enhance its core competitiveness in relevant business sectors and to maintain stable growth in market share.

Once again, I sincerely thank all the shareholders for their support. The Group will continue to strive for the development of corporate IT application services business.

Yu Pun Hoi
Chairman

Hong Kong, 24 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS



I. OPERATION REVIEW

The Group was principally engaged in corporate IT application services, financial information services and distance learning education services.

The prevailing global financing crisis has ruined the global economy, and there is no exception to China. Business performance of the Group's various businesses emerged deterioration.

During the year, the turnover and net loss were HK$439.0 million (2007: HK$666.1 million) and HK$91.3 million (2007: a net profit of HK$692.8 million) respectively. The net assets of the Group including minority interests was approximately HK$2,323.3 million (2007: HK$2,450.7 million), representing a value of HK$0.117 per share.

Corporate IT Application Services

Due to the adverse effect by such factors as market deterioration by macro-economic control and slowing down of the development in IT industry, the business results of the Group emerged a certain extent of slump in 2008. Despite the severe market competition, this division kept making adjustment and improvement by launching innovative products and comprehensive services. During the year, the turnover of this division was approximately HK$428.0 million (2007: HK$628.1 million) and the net loss was approximately HK$193.9 million (2007: a net profit of HK$111.9 million). In recent years, the business results and contributions of various subsidiaries of the Company in this division have been accredited from different sectors in the society, and won many awards.

CE Dongli was awarded many titles, such as "Top 100 High-Growth Enterprises of China's Creative Industry", "2008 Golden Software Award" and "2008 Beijing E-Business Credit Enterprise".

Xinnet was certified as "2007 CN Domain Name Gold Medal Registration Service Organization", and was accredited as "Five-star Registration Service Organization" by CNNIC (China Internet Network Information Center) twice in 2008. Meanwhile, Xinnet was also one of the pioneers participating in establishing the Anti-Phishing Alliance of China, and contributing substantial effort in maintaining a clean internet environment and eliminating illegal information.

Redflag 2000 had encouraging results in the areas of specialized project tendering and award assessment. Redflag 2000 obtained the development fund support by successfully bidding the "Optimizing Domestic Office Software Suit based on UOF Standard" project under the 2008 Ministry of Industry and Information Technology Development Fund. Meanwhile, it also obtained the support from the 2008 Small and Medium Technology Enterprise Innovative Fund, and its "Optimizing and Application of Linux Desktop Office Environment for e-Government Services" project also obtained the support from Beijing Technology Project. Besides, Redflag 2000 also obtained many other awards such as "High-tech Enterprise of China Recommended by Editors of China Information World in 2007", "Outstanding Domestic Software Provider of County-Level e-Government Solutions" and "2008 China Open Source Software Productivity Booster Award".

Financial Information Services

During the year, turnover of this division was approximately HK$22.5 million (2007: HK$37.1 million) and the net loss was approximately HK$37.9 million (2007: HK$17.3 million).

Shihua will continue to invest in a prudent manner and promote its new product line. The Group is confident that the business performance of this division will be improved in the near future, which in turn will generate satisfactory return for the Group.

Distance Learning Education Services

During the year, turnover of this division was approximately HK$9.6 million (2007: HK$17.0 million) and the net loss was approximately HK$1.7 million (2007: HK$1.7 million).

In terms of business strategies, Chinese Dadi will continue to strengthen its market share through cooperation with educational institutes. Chinese Dadi has begun to expand its product range from merely sales of online study course materials to online interactive learning programs. The management also decided to cut down all technical outsource service since profit from this division is sporadic. The management will continue to closely monitor the business development of this division and will expect the performance of this division will be improved further in the near future.

Chinese Dadi was accredited "Top 10 National Online Education Institute" and "2007 Top 10 Online Education Institute".

Culture and Media Services

Resulting from the strategic decision in focusing on the initial development of digital cinema business in both Shenzhen and Guangzhou and its respective surrounding areas, which in turn will have a synergy effect on the property projects of Nan Hai Corporation Limited ("Nan Hai"), the holding company of the Company, in Shenzhen and Guangzhou, the culture and media business segment was repositioned to Nan Hai in 2008 and has become one of its main businesses.

II. TECHNOLOGY RESEARCH & DEVELOPMENT

In 2008, CE Open, whose leading position in SaaS territory, was reinforced and further developed. As the chairing unit of the internet information services working team of Changfeng Open Standards Platform Software Alliance, an organization led by Beijing Municipal Science & Technology Commission and Beijing Software Promotion Center, CE Open jointly with domestic hardware manufacturers, basic software developers and application software developers, built up a SaaS product chain which was recognized by relevant government authority and the industry in China. CE Open not only won many awards such as "2008 Annual High-development Enterprise Award in China's Information Industry" and "2008 Top Business Innovation Award in

MANAGEMENT DISCUSSION AND ANALYSIS

China's Information Service Industry" etc. but also it obtained High-tech Enterprise Approval Certificate, Software Enterprise Qualification Certificate and ISO9000 Certificate in management system. In respect of innovative research, CE Open successfully registered for 25 patents, and became the "Trial Patent Enterprise in Beijing".

CE Open's strong competitive advantage in market, distribution channel and large customer base etc. has created ample space for the fast development of technology R&D and technology operations. With long term consistent investment and development, service operational capabilities, product R&D abilities and services adjustment abilities of CE Open have enhanced rapidly, and competitive advantage of CE Open has gradually formed in technology R&D and service operations, thus a solid foundation for enhancing operational efficiency and effective cost control for service operations has been built up.

III. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 31 December 2008, the net assets of the Group attributable to the equity holders amounted to approximately HK$2,256.8 million (2007: HK$2,361.3 million) including cash and bank balances of approximately HK$103.7 million (2007: HK$58.3 million) (which were denominated mainly in Renminbi and Hong Kong dollars). As at 31 December 2008, the Group's aggregate borrowings were HK$58.5 million (2007: HK$66.0 million). All of such borrowings were bearing interest at floating rates. The gearing ratio of the Group as at 31 December 2007, which is net debt divided by the adjusted capital plus net debt, was 0.31%. Gearing ratio was not applicable for 2008 because the Group recorded net cash resulting from the sales proceeds from disposal of a subsidiary and advancement from Nan Hai.

The Group's contingent liabilities at 31 December 2008 were HK$77.7 million due to the guarantees given in connection with credit facilities.

As at 31 December 2008, prepaid land lease payments under operating lease, investment property and buildings with net book value of approximately HK$91.8 million were secured for the Group's credit facilities and certain shareholders of Nan Hai have pledged their shareholdings in Nan Hai for the Group's credit facilities.

IV. EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were denominated in Renminbi and Hong Kong dollars. Both the operating expenses and revenues were primarily in Renminbi. It is expected that the exchange rate of Renminbi will continue to appreciate resulting from the continuous economic growth in China. The Group's reporting assets, liabilities and profits may be affected by the

Renminbi exchange rate. Although the Renminbi exchange risk exposure is not significant during the year under review, the Group will keep on reviewing and monitoring the exchange risks between Renminbi and Hong Kong dollars, and may proceed to have some kind of foreign exchange hedging arrangements when appropriate and necessary.

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 of the Company (the "Board"). In general, salary review is conducted annually. As at 31 December 2008, the Group had approximately 6,550 employees (2007: 8,102 employees). The salaries of and allowances for employees for the year ended 31 December 2008 were approximately HK$409.0 million (2007: HK$339.4 million).

VI. PROSPECT

Looking forward, the Group will keep focusing on expanding its core businesses, and plan to integrate its upstream and downstream resources through mergers and acquisitions so as to increase market share and strengthen its leading position and advantage in the market and to enhance the overall economic benefits. Leading and innovative products and services as well as strong management power are the main fundamentals for the continuous growth of the Group. Therefore, the Group will deploy more resources in technology R&D and operations as usual, and will continue to launch and perfect products and services with competitive power. On the other hand, it will continue to strengthen its management power and train up and build up middle to high level management team for providing a solid foundation for fast development in the future. Besides, as the macro-economic environment may get worse in the future, the Group will fully utilize its own abilities to increase sales, and to build up and enhance brand recognition so as to well equip itself for long term development in the future and to generate higher investment return for the shareholders of the Company.

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in corporate IT application services, financial information services and distance learning education 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 33.

The directors do not recommend the declaration of the payment of a final dividend for the year ended 31 December 2008 (2007: 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 is set out on page 106.

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 14 to the financial statements.

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's principal subsidiaries and associate as at 31 December 2008 are set out in notes 17 and 18 to the financial statements respectively.

BANK BORROWINGS

The Group's bank borrowings as at 31 December 2008 is set out in note 33 to the financial statements.

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 35 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 37 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the amount of the Company's reserves available for distribution was approximately HK$355,237,000. 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 2008 accounted for less than 30% of the Group's total turnover and purchases respectively.

DIRECTORS' EMOLUMENTS

Details of directors' emoluments are set out in note 41 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2008, 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 46 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. WANG Gang	(appointed on 10 March 2009)
Ms. LIU Rong	(appointed on 10 March 2009)
Mr. LUO Ning#	
Mr. LAM Bing Kwan#	
Mr. HUANG Yaowen*	
Prof. JIANG Ping*	
Mr. FUNG Wing Lap*	
Mr. CHAN Lap Stanley*	(retired on 26 May 2008)

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 87 of the Company's articles of association, Mr. Wang Gang and Ms. Liu Rong may hold office only until the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with article 94 of the Company's articles of association, Ms. Chen Dan, Mr. Qin Tian Xiang and Prof. Jiang Ping shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves 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 50, is the chairman of 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, information technology, and media.

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

Ms. CHEN Dan, aged 40, graduated from Beijing Finance & Trade College and conferred a Bachelor degree in Trade & Economics, and obtained a degree of EMBA in China Europe International Business School. Ms. Chen is also 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. In February 2006, Ms. Chen has been appointed as an executive director, executive committee member and general manager of the Company, responsible for all the operations management within the Group. 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.

Mr. QIN Tian Xiang, aged 43, 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 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 addition, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Directors (Continued)

Executive Directors (Continued)

Mr. WANG Gang, aged 53, graduated from Capital University of Economics and Business in China and also got an MBA degree from National University of Singapore. Prior to joining the Group, Mr. Wang worked in the headquarters of China Agricultural Bank, and was appointed as a general manager working in the bank's branch office in Singapore for 5 years.

Mr. Wang joined the Group in December 2007 and was appointed as a director and deputy general manager of Shenzhen Nanhai Yitian Realty Company Limited ("Nanhai Yitian"), a subsidiary of Nan Hai. In February 2009, Mr. Wang was appointed as a general manager of Nanhai Yitian, responsible for the related business in property development of Nan Hai Group. Mr. Wang was appointed as an executive director and executive committee member of the Company on 10 March 2009.

Mr. Wang is also an executive director and executive committee member of Nan Hai, and a director of a number of major subsidiaries of Nan Hai.

Ms. LIU Rong, aged 37, 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, and is a qualified lawyer in China. Prior to joining the Group, Ms. Liu worked in Chinese government departments and law firms.

Ms. Liu joined the Group in April 2002 as a company secretarial manager, responsible for corporate affairs, investments and mergers and acquisitions of the Group in China. In 2007, Ms. Liu was appointed as general manager of Dadi Media (HK) Limited, a wholly-owned subsidiary of Nan Hai, responsible for all the related businesses in culture and media. Ms. Liu has been appointed as an executive director and executive committee member of the Company on 10 March 2009.

Ms. Liu 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.

Non-Executive Directors

Mr. LUO Ning, aged 50, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Directors (Continued)

Non-Executive Directors (Continued)

Mr. LAM Bing Kwan, aged 59, 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 the Group. Mr. Lam joined the Board of the Company on 14 October 1991, and was re-designated as a 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 38, graduated from South West University of Politics and Laws in China and was conferred a Bachelor degree in Laws in 1992 and obtained a degree of EMBA in China Europe International Business School. Mr. Huang also holds a Master of Laws conferred by Central Parties School in the PRC and is a registered attorney at law in China. Mr. Huang 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 a 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.

Prof. JIANG Ping, aged 78, 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 a 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. FUNG Wing Lap, aged 49, 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 a member of audit committee and remuneration committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management

Mr. ZHANG Bin (aged 43)
Deputy General Manager – Technology Development
Sino-i Technology Limited

General Manager
北京中企開源信息技術有限公司 (Beijing CE Open Source Software Co., Ltd.)

Mr. Zhang was accredited as Senior Engineer and graduated from the Computer Faculty of The University of Defence Technology. Mr. Zhang's research was in computer architecture.

Mr. Zhang has extensive experience in software development and management. Mr. Zhang joined the Group in 1999, responsible for the research and development, and application in IT application service technology. In March 2005, Mr. Zhang was appointed as a chief technology officer of the Company. In April 2006, Mr. Zhang was appointed as a deputy general manager of the Technology Development Department of the Company, general manager of CE Open, and a deputy general manager of CE Dongli, responsible for technological strategy, R&D, product development, technological operation and other related works of the Company. In addition, Mr. Zhang focused on product development and IT services operation system.

Mr. YU Fan (aged 41)
Deputy General Manager – Business and Strategic Development
Sino-i Technology Limited

Mr. Yu graduated from Guanghua School of Management of Peking University and obtained a degree of Master of Business Administration. Prior to joining the Group, Mr. Yu was working in senior positions in such large domestic and joint venture corporations as Founder Group, etc. and has profound understanding in IT business and extensive experience in corporate operation.

In 2004, Mr. Yu joined CE Dongli and was appointed as a deputy general manager, responsible for its business operation, and was promoted as a general manager of CE Dongli in 2006. In 2007, Mr. Yu was appointed as a deputy general manager of the Group, responsible for the planning and development of strategies and operations of the Company.

Mr. CHEUNG On Yin (aged 47)
Deputy General Manager – Branding and Marketing
Sino-i Technology Limited

Mr. Cheung has extensive experience in the branding and marketing industry, and was in senior positions in a number of main electronic media communications in China, Hong Kong and Taiwan, and obtained various rewards from New York International Film & Television Festival. In 1995, Mr. Cheung had a great contribution of establishing the first universal Chinese satellite broadcasting television business.

Mr. Cheung was the creative controller of the Company from 1999 to 2005, and took part in planning of the internet and advertisement business of the Company in China. During the period, Mr. Cheung was also the consultant of Institute for Cultural Industries in Peking University. Mr. Cheung re-joined the Company in 2007 and was appointed as a deputy general manager of both the Company and CE Dongli in 2008, responsible for the overall brands of IT business and marketing of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, 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

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.

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. 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 2008, 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*

Name of Director	Personal interest	Corporate interest	Family interest	Total interest	Approximate percentage holding
	Number of shares of HK$0.01 each				
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 2008, 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 2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2008
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	19,525,000	–	–	(19,525,000)	–
		01-07-2006 to 30-06-2008	0.16	19,525,000	–	–	(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				67,550,000	–	–	(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 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 or 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 2008, 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 2008, 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 47 to the financial statements.

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 26 to 31.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Fung Wing Lap. The Audit Committee has reviewed with the auditors of the Company and management the accounting principles and practices adopted by the Group, the audited accounts for the year ended 31 December 2008, and discussed the auditing, financial control, internal control and risk management systems.

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, 24 April 2009

CORPORATE GOVERNANCE REPORT

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, 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 2008, except for the deviations from Code Provision 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 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 2008.

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 ten directors including five executive directors, two non-executive directors and three 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 15 to 18 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
Mr. WANG Gang (appointed on 10 March 2009)
Ms. LIU Rong (appointed on 10 March 2009)

Non-executive Directors

Mr. LUO Ning
Mr. LAM Bing Kwan

Independent Non-executive Directors

Mr. HUANG Yaowen
Prof. JIANG Ping
Mr. FUNG Wing Lap
Mr. CHAN Lap Stanley (retired on 26 May 2008)

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 (the "CEO") should be separated and should not be performed by the same individual.

The Company has not appointed a CEO. The role of the 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 three 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	
Mr. WANG Gang	(appointed on 10 March 2009)
Ms. LIU Rong	(appointed on 10 March 2009)

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 two 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 the INEDs as follows:

Mr. HUANG Yaowen *(Chairman of the Audit Committee)*
Prof. JIANG Ping
Mr. FUNG Wing Lap
Mr. CHAN Lap Stanley (retired on 26 May 2008)

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 three meetings, in particular, to review with management the accounting principles and practices adopted by the Group, the audited accounts for the year ended 31 December 2007 and the unaudited interim results for the six months ended 30 June 2008, and discussed the auditing, financial control, internal control and risk management systems.

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 the INEDs as follows:

Mr. HUANG Yaowen *(Chairman of the Remuneration Committee)*
Prof. JIANG Ping
Mr. FUNG Wing Lap
Mr. CHAN Lap Stanley (retired on 26 May 2008)

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 one meeting 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 2008:–

	Attendance/Number of Meetings			
Name of Director	**Board**	**Executive Committee**	**Audit Committee**	**Remuneration Committee**
Executive Directors				
Mr. YU Pun Hoi	5/5	2/2	N/A	N/A
Ms. CHEN Dan	5/5	2/2	N/A	N/A
Mr. QIN Tian Xiang	3/5	1/2	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	3/3	1/1
Prof. JIANG Ping	5/5	N/A	3/3	1/1
Mr. FUNG Wing Lap	5/5	N/A	3/3	1/1
Mr. CHAN Lap Stanley (retired on 26 May 2008)	3/5	N/A	1/3	1/1
Number of meetings held during the year	5	2	3	1

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 2008.

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 32.

The remuneration paid to the external auditors of the Group in respect of audit services and non-audit services for the year ended 31 December 2008 amounted to HK$2,829,000 and HK$30,000 respectively. An analysis of the remuneration paid to the external auditors of the Group 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. In September 2008, the Board approved the Company to install a new accounting system for generating the financial information in more efficient and comprehensive manner.

During the year under review, the Board, Audit Committee and Executive Committee have 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, 24 April 2009

INDEPENDENT AUDITORS' REPORT

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 33 to 105, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE 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 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

24 April 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Continuing operations:			
Revenue/Turnover	5(a)	**439,032**	666,109
Cost of sales and services provided		**(140,923)**	(126,307)
Gross profit		**298,109**	539,802
Other operating income	5(b)	**151,720**	6,069
Gain on disposal and dissolution of subsidiaries	45(a)	**20,181**	–
Gain arising on acquisition of additional interests in subsidiaries		**9,991**	30,292
Impairment loss on goodwill	19	**(17,000)**	–
Selling and marketing expenses		**(244,164)**	(215,407)
Administrative expenses		**(229,086)**	(195,153)
Other operating expenses		**(115,203)**	(90,171)
Finance costs	7	**(6,257)**	(13,690)
(Loss)/Profit before income tax	8	**(131,709)**	61,742
Income tax expense	9	**(6,542)**	(5,729)
(Loss)/Profit for the year from continuing operations		**(138,251)**	56,013
Discontinued operation:			
Profit for the year from discontinued operation	10	**46,985**	636,752
(Loss)/Profit for the year		**(91,266)**	692,765
Attributable to:			
Equity holders of the Company	11	**(76,537)**	689,800
Minority interests	38	**(14,729)**	2,965
(Loss)/Profit for the year		**(91,266)**	692,765
		HK cents	HK cents
(Loss)/Earnings per share for (loss)/profit from continuing operations attributable to the equity holders of the Company during the year	12		
– Basic		**(0.62)**	0.25
– Diluted		**(0.62)**	0.25
Earnings per share for profit from discontinued operation attributable to the equity holders of the Company during the year			
– Basic		**0.24**	3.21
– Diluted		**0.24**	3.21
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
– Basic		**(0.38)**	3.46
– Diluted		**(0.38)**	3.46

CONSOLIDATED BALANCE SHEET

as at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**127,547**	132,585
Investment property	15	**12,015**	–
Prepaid land lease payments under operating leases	16	**57,408**	55,212
Interest in an associate	18	**–**	–
Available-for-sale financial assets		**324**	324
Goodwill	19	**81,789**	57,524
Deposits	24	**141,650**	58,989
Other intangible assets	20	**76,451**	98,020
		497,184	402,654
Current assets			
Inventories	21	**–**	318,267
Financial assets at fair value through profit or loss	22	**2,195**	2,763
Trade receivables	23	**26,441**	86,041
Deposits, prepayments and other receivables	24	**299,636**	287,667
Amount due from ultimate holding company	31	**1,695,351**	1,640,830
Cash and cash equivalents	25	**103,692**	58,321
		2,127,315	2,393,889
Current liabilities			
Trade payables	26	**27,804**	24,292
Other payables and accruals	27	**86,020**	113,816
Deferred revenue		**54,731**	50,261
Provision for tax		**45,450**	28,145
Amount due to a director	28	**6,157**	40,863
Amounts due to shareholders	29	**5,006**	5,006
Amount due to a minority shareholder	30	**12,000**	12,000
Amount due to an associate	32	**5,507**	5,507
Bank borrowings, secured	33	**27,935**	10,892
		270,610	290,782
Net current assets		**1,856,705**	2,103,107
Total assets less current liabilities		**2,353,889**	2,505,761
Non-current liabilities			
Bank borrowings, secured	33	**30,582**	55,099
		30,582	55,099
Net assets		**2,323,307**	2,450,662

CONSOLIDATED BALANCE SHEET

as at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	35	**199,145**	199,145
Share premium		**39,194**	39,194
Reserves	37	**2,018,434**	2,122,967
		2,256,773	2,361,306
Minority interests	38	**66,534**	89,356
Total equity		**2,323,307**	2,450,662

Yu Pun Hoi
Director

Chen Dan
Director

BALANCE SHEET

as at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**–**	33
Interests in subsidiaries	17	**105,781**	105,781
Available-for-sale financial assets		**324**	324
		106,105	106,138
Current assets			
Amounts due from subsidiaries	17	**825,381**	658,538
Amount due from an associate	32	**15,663**	15,661
Amount due from ultimate holding company	31	**1,268,993**	1,405,221
Deposits, prepayments and other receivables	24	**641**	1,021
Cash and cash equivalents	25	**1,531**	1,297
		2,112,209	2,081,738
Current liabilities			
Other payables and accruals		**2,603**	7,971
Provision for tax		**1,650**	–
Amounts due to subsidiaries	17	**741,833**	740,703
Amount due to a director	28	**210,988**	211,188
Amounts due to shareholders	29	**5,005**	5,005
		962,079	964,867
Net current assets		**1,150,130**	1,116,871
Total assets less current liabilities/Net assets		**1,256,235**	1,223,009
EQUITY			
Share capital	35	**199,145**	199,145
Share premium		**39,194**	39,194
Reserves	37	**1,017,896**	984,670
Total equity		**1,256,235**	1,223,009

Yu Pun Hoi
Director

Chen Dan
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax			
– from continuing operations		**(131,709)**	61,742
– from discontinued operation		**46,985**	636,752
Adjustments for:			
Depreciation of property, plant and equipment		**30,829**	21,307
Depreciation of investment property		**643**	–
Operating lease charges on prepaid land lease		**1,295**	738
Amortisation of intangible assets		**35,071**	23,199
Gain arising on acquisition of additional interests in subsidiaries		**(9,991)**	(30,292)
Gain on disposal and dissolution of subsidiaries	45(a)	**(67,182)**	(640,820)
Write-off of intangible assets		**–**	1,070
Loss/(Gain) on disposal of property, plant and equipment		**75**	(54)
Provision for impairment of receivables		**16,269**	12,539
Bad debt written off		**449**	10,181
Impairment loss on goodwill		**17,000**	–
Write-off of property, plant and equipment		**1,108**	452
Dividend income from financial assets at fair value through profit or loss		**(30)**	(69)
Net fair value loss/(gain) on financial assets at fair value through profit or loss		**1,779**	(2,046)
Bank interest income		**(662)**	(394)
Other interest income		**(141,499)**	–
Interest expenses		**6,257**	13,729
Operating (loss)/profit before working capital changes		**(193,313)**	108,034
Decrease in amount due to an associate		**–**	(887)
Increase in inventories		**–**	(3,782)
Decrease/(Increase) in trade receivables		**22,267**	(30,628)
(Increase)/Decrease in deposits, prepayments and other receivables		**(24,401)**	68,228
Increase in trade payables, other payables and accruals		**37,029**	18,775
Increase in amount due to a director		**54,348**	68,155
Increase/(Decrease) in deferred revenue		**1,266**	(15,022)
Decrease in amount due from ultimate holding company		**231,423**	–
Increase in amount due to ultimate holding company		**–**	18,234
Net cash generated from operations		**128,619**	231,107
Net income tax refund/(paid)		**9,699**	(4,655)
Net cash generated from operating activities		**138,318**	226,452

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(33,711)**	(85,909)
Proceeds from disposal of property, plant and equipment		**917**	1,383
Net cash inflow/(outflow) in respect of disposal and dissolution of subsidiaries	45(a)	**54,273**	(10,013)
Net cash outflow from acquisition of subsidiaries	45(b)	**(1,807)**	–
Payment to acquire intangible assets		**(7,492)**	(63,659)
Purchase of financial assets at fair value through profit or loss		**(449)**	–
Dividend income from financial assets at fair value through profit or loss		**30**	69
Increase in deposits		**(78,074)**	(22,074)
Bank interest received		**662**	394
Net cash used in investing activities		**(65,651)**	(179,809)
Cash flows from financing activities			
Proceeds from bank borrowings		**–**	154,847
Repayments of bank borrowings		**(11,538)**	(175,699)
Repayments of finance lease liabilities		**–**	(285)
Repayments to securities brokers and margin financiers		**(13,866)**	(1,195)
Interest paid		**(5,485)**	(12,292)
Net cash used in financing activities		**(30,889)**	(34,624)
Net increase in cash and cash equivalents		**41,778**	12,019
Cash and cash equivalents at 1 January		**58,321**	43,067
Effect of foreign exchange rate changes, on cash held		**3,593**	3,235
Cash and cash equivalents at 31 December		**103,692**	58,321

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital distribution reserve HK$'000	Share option reserve HK$'000	General reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 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 and 1 January 2008	**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**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**–**	**21,077**	**–**	**21,077**	**1,898**	**22,975**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(76,537)**	**(76,537)**	**(14,729)**	**(91,266)**
Total recognised income and expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**21,077**	**(76,537)**	**(55,460)**	**(12,831)**	**(68,291)**
Released on acquisition of additional interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,991)**	**(9,991)**
Realised on disposal and dissolution of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(49,073)**	**–**	**(49,073)**	**–**	**(49,073)**
Released on expiry of share options	**–**	**–**	**–**	**–**	**(3,248)**	**–**	**–**	**3,248**	**–**	**–**	**–**
Transfer to general reserve	**–**	**–**	**–**	**–**	**–**	**19**	**–**	**(19)**	**–**	**–**	**–**
At 31 December 2008	**199,145**	**39,194**	**2,258***	**52,622***	**–***	**9,477***	**57,000***	**1,897,077***	**2,256,773**	**66,534**	**2,323,307**

* These reserve accounts comprise the consolidated reserves of HK$2,018,434,000 (2007: HK$2,122,967,000) in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

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 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 17.

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 33 to 105 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 ("HKASs") 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 2008 were approved for issue by the board of directors (the "Board") on 24 April 2009.

2. ADOPTION OF NEW AND AMENDED HKFRSs

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

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008:

HK (IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets

The new HKFRSs had no material effect on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement – Embedded Derivatives[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[2]
Various	Annual Improvements to HKFRSs 2008[6]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
6 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements.

Among these new standards and interpretations, HKAS 1(Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group 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 comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

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.

3.3 Subsidiaries and minority interest

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 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 estimation of 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries and minority interest (Continued)

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.

Amount due to a minority shareholder and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with note 3.16.

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 consolidated 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, are recognised in accordance with note 3.10.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates (Continued)

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 3.12) of the associate and its carrying amount.

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

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.

3.5 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign currency translation (Continued)

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, see note 3.8) 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.

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 $33^1/_3$%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment (Continued)

The assets' residual values, depreciation methods 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 Investment property

Investment property is a building which is owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided so as to write off the cost of investment property using the straight line method over the lease term.

Transfer from property, plant and equipment to investment property shall be made when, and only when, there is a change in use, evidenced by the end of owner-occupation, for a transfer from owner-occupied property and investment property. The transfers between owner-occupied property and investment property which are measured at cost less accumulated depreciation and impairment losses do not change the carrying amount of the property transferred and the cost of that property on transfer.

3.8 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 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.

3.9 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.

3.10 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.12).

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.

3.11 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.

3.12 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, computer software, development cost, property, plant and equipment, prepaid land lease payments under operating leases, non-current portion of deposits, investment property and interests in subsidiaries and associate 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)

3.12 Impairment of non-financial 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 including impairment losses recognised in an interim period. 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.

3.13 Inventories

Inventories, which represent completed properties held for sale, are carried at the lower of cost and net realisable value. 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.

3.14 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associate 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, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial assets (Continued)

Classification of financial assets (Continued)

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

Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out in note 3.20 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; or

– the assets are part of a group of financial assets which are managed and their performance is 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. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial assets (Continued)

Classification of financial assets (Continued)

(iii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale 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 excluding any dividend and interest income is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recycled to profit or loss. Interest calculated using the effective interest method is recognised in 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, and 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 assets.

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.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial assets (Continued)

Impairment of financial assets (Continued)

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

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

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Loans and receivables

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 unless the Group is satisfy that recovery of the amount is remote, in which case the impairment loss is written off against the loans and receivables directly. The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against the corresponding loans and receivables directly and any amounts held in the allowance account in respect of that receivable are reversed.

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 and reversed against the allowance account for subsequent recoveries of amount previously charged to the allowance account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial assets (Continued)

Impairment of financial assets (Continued)

(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 was recognised. Reversal of impairment losses in such circumstances are recognised in the income statement.

3.15 Cash and cash equivalents

Cash and cash equivalents included cash at banks and in hand, demand deposits with banks or financial institutions and short-terms highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

3.16 Financial liabilities

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Financial liabilities (Continued)

(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.

3.17 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.

3.18 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 including existing taxable temporary differences 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Accounting for income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate, 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.

3.19 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.

3.20 Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest, royalties and dividends, 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;

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

– Dividend is recognised when the right to receive payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 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 include corporate expenses and other expenses that cannot be allocated on a reasonable basis to the reportable segments. Segment assets consist primarily of intangible assets, investment property, property, plant and equipment, prepaid land lease payments under operating leases, inventories, receivables, operating cash and financial assets at fair value through profit or loss and mainly exclude corporate assets, amount due from ultimate holding company, cash and cash equivalents and available-for-sale investment. Segment liabilities comprise operating liabilities and exclude items such as provision for tax, amounts due to a director/shareholders/a minority shareholder/an associate and certain corporate borrowings.

Capital expenditure comprises additions to intangible assets and property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

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.

3.22 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) Operating lease charges as the lessee

Where the Group has the right to 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 Leases (Continued)

(iii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.23 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 of the amount of the obligation 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.

3.24 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 profit or loss on initial recognition of any deferred income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss 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.

3.25 Retirement benefit costs and short term 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 10% 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Retirement benefit costs and short term employee benefits (Continued)

(ii) Retirement benefits scheme (Continued)

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.

(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 unless it qualifies for recognition as asset, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Related parties

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

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

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

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

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

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

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

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

3.27 Research and development costs

Costs associated with research activities are expensed in the income statement as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 Research and development costs (Continued)

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

3.28 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs upon disposal. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of profit and loss account, which comprises the post-tax profit or loss for the discontinued operation.

3.29 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and included in current liabilities as deferred government grants and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate and are presented separately from the costs.

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 investment property, 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% per annum, 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 investment property, property, plant and equipment and intangible assets.

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 debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. 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 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 taxes in Hong Kong and 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 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.

Research and development activities

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Group's management.

5. REVENUE/TURNOVER AND OTHER OPERATING INCOME

(a) The Group's turnover represents revenue from:

	2008 HK$'000	2007 HK$'000
Continuing operations		
Corporate IT application services	**394,323**	628,064
Financial information services	**22,549**	21,647
Royalty income	**–**	137
Distance learning education services	**7,171**	7,095
Culture and media services	**14,989**	9,166
	439,032	666,109

(b) Other operating income:

	2008 HK$'000	2007 HK$'000
Continuing operations		
Bank interest income	**662**	394
Other interest income	**141,499**	–
Net fair value gain on financial assets at fair value through profit or loss	**–**	2,046
Rental income	**4,483**	–
Government grants	**2,242**	372
Sundry income	**2,834**	3,257
	151,720	6,069
Discontinued operation		
Sundry income	**–**	199
	–	199

Government grants have been received from the PRC governmental bodies in the form of the subsidies to the design, research and development of new products by certain subsidiaries of the Group. The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities whose research and development projects meet certain criteria. There are no unfulfilled conditions or contingencies attaching to these grants.

The Group's property development business was discontinued with effect from 20 March 2008. Accordingly, it was treated as discontinued operation in current and in last year.

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

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 corporate IT application 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.

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6. SEGMENT INFORMATION (Continued)

(a) Business segments

2008

	Continuing operations						Discontinued operation	
	Financial information services	Corporate IT application services	Distance learning education services	Other segments	Elimination	Total	Property development	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue								
– Sales to external customers	22,549	394,323	7,171	14,989	–	439,032	–	439,032
– Inter-segment sales	–	33,704	2,415	–	(36,119)	–	–	–
	22,549	428,027	9,586	14,989	(36,119)	439,032	–	439,032
Segment results	(37,942)	(193,917)	(1,744)	(5,898)	(33,704)	(273,205)	(16)	(273,221)
Bank interest income								662
Other interest income								141,499
Gain on disposal and dissolution of subsidiaries								67,182
Gain arising on acquisition of additional interests in subsidiaries								9,991
Unallocated corporate expenses								(24,580)
Finance costs								(6,257)
Loss before income tax								(84,724)
Income tax expense								(6,542)
Loss for the year								(91,266)
Segment assets	7,770	677,424	5,732	1,876	–	692,802	–	692,802
Unallocated assets								1,931,697
Total assets								2,624,499
Segment liabilities	(21,683)	(131,974)	(2,172)	(6)	–	(155,835)	–	(155,835)
Unallocated liabilities								(145,357)
Total liabilities								(301,192)
Other information								
Capital expenditure	111	40,991	12	738	–	41,852	–	41,852
Depreciation and amortisation	799	66,330	402	391	–	67,922	–	67,922
Impairment loss on goodwill	–	17,000	–	–	–	17,000	–	17,000
Other non-cash expenses	404	14,879	358	4,039	–	19,680	–	19,680

6. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

2007

	Continuing operations						Discontinued operation	
	Financial information services HK$'000	Corporate IT application services HK$'000	Distance learning education services HK$'000	Other segments HK$'000	Elimination HK$'000	Total HK$'000	Property development HK$'000	Consolidated HK$'000
Segment revenue								
– Sales to external customers	21,647	628,064	7,095	9,303	–	666,109	–	666,109
– Inter-segment sales	15,485	–	9,859	–	(25,344)	–	–	–
	37,132	628,064	16,954	9,303	(25,344)	666,109	–	666,109
Segment results	(17,290)	111,930	(1,659)	(6,627)	(15,485)	70,869	(3,928)	66,941
Bank 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	11,974	25,888	–	647,935	318,808	966,743
Unallocated assets								1,829,800
Total assets								2,796,543
Segment liabilities	(17,336)	(90,306)	(2,323)	(23,002)	–	(132,967)	(8,583)	(141,550)
Unallocated liabilities								(204,331)
Total liabilities								(345,881)
Other information								
Capital expenditure	1,525	194,145	281	2,391	–	198,342	740	199,082
Depreciation and amortisation	747	42,821	401	682	–	44,651	–	44,651
Other non-cash expenses	1,259	15,550	852	6,527	–	24,188	–	24,188

6. SEGMENT INFORMATION (Continued)

(b) Geographical segments

2008

	Continuing operations Hong Kong HK$'000	Continuing operations Mainland China HK$'000	Discontinued operation Mainland China HK$'000	Total HK$'000
Segment revenue				
Sales to external customers	**171**	**438,861**	**–**	**439,032**
Other segment information				
Segment assets	**2,636**	**690,166**	**–**	**692,802**
Unallocated assets				**1,931,697**
Total assets				**2,624,499**
Capital expenditure	**–**	**41,852**	**–**	**41,852**

2007

	Continuing operations Hong Kong HK$'000	Continuing operations Mainland China HK$'000	Discontinued operation 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	741,402	318,808	1,155,713
Unallocated assets				1,640,830
Total assets				2,796,543
Capital expenditure	850	197,492	740	199,082

7. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest charges on:		
Continuing operations		
Bank loans wholly repayable within five years	**5,471**	11,612
Other borrowings wholly repayable within five years	**–**	241
Amounts due to securities brokers and margin financiers	**772**	1,437
Other payables	**14**	400
	6,257	13,690
Discontinued operation		
Finance charges on finance leases	**–**	39
Total interest expenses	**6,257**	13,729

8. (LOSS)/PROFIT BEFORE INCOME TAX

	Continuing operations 2008 HK$'000	**Discontinued operation 2008 HK$'000**	Continuing operations 2007 HK$'000	Discontinued operation 2007 HK$'000
(Loss)/Profit before income tax is arrived at after charging/(crediting):				
Auditors' remuneration	**2,813**	**16**	2,558	–
Net foreign exchange loss	**660**	**–**	176	546
Depreciation of leased assets*	**–**	**–**	–	265
Gross depreciation of property, plant and equipment-owned assets	**30,913**	**–**	21,155	32
Less: Amounts included in cost of provision of corporate IT application services	**(158)**	**–**	(105)	–
Amounts included in research and development expenses	**(120)**	**–**	–	–
Amounts capitalised in intangible assets	**(84)**	**–**	(145)	–
Net depreciation of owned assets*	**30,551**	**–**	20,905	32
Depreciation of investment property*	**643**	**–**	–	–
Gross operating lease charges on land and buildings	**41,536**	**–**	39,114	208
Less: Amounts included in cost of provision of corporate IT application services	**(804)**	**–**	(1,251)	–
Amounts included in research and development expenses	**(156)**	**–**	–	–
Amounts capitalised in intangible assets	**(244)**	**–**	(1,403)	–
Net operating charges on land and buildings	**40,332**	**–**	36,460	208
Operating lease charges on prepaid land lease	**1,295**	**–**	738	–
Gross retirement benefit contributions	**60,483**	**–**	25,335	320
Less: Amounts included in research and development expenses	**(1,797)**	**–**	–	–
Amounts capitalised in intangible assets	**(1,244)**	**–**	(1,728)	–
Net retirement benefit contributions	**57,442**	**–**	23,607	320
Cost of provision of corporate IT application services	**115,361**	**–**	105,078	–
Cost of provision of financial information services	**10,875**	**–**	9,163	–
Cost of provision of culture and media services	**13,408**	**–**	8,846	–
Cost of inventories sold – distance learning materials	**1,279**	**–**	3,220	–
Cost of sales and services provided	**140,923**	**–**	126,307	–
Provision for impairment of receivables*	**16,269**	**–**	12,539	–
Bad debt written off*	**449**	**–**	10,181	–
Net loss/(gain) on disposal of property, plant and equipment*	**75**	**–**	(54)	–
Amortisation of intangible assets*	**35,071**	**–**	23,199	–
Write-off of intangible assets*	**–**	**–**	1,070	–
Write-off of property, plant and equipment*	**1,108**	**–**	452	–
Net fair value loss on financial assets at fair value through profit or loss*	**1,779**	**–**	–	–
Research and development expenses*	**10,335**	**–**	–	–

* included in other operating expenses

9. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
Continuing operations		
Hong Kong Profits Tax		
Current tax expense	**12,184**	–
PRC Enterprise Income Tax		
Current tax (credit)/expense	**(5,563)**	5,308
(Over)/Under-provision in respect of prior years	**(79)**	421
	6,542	5,729

For the year ended 31 December 2008, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year.

For the year ended 31 December 2007, no Hong Kong profits tax was 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 25% (2007: 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% (2007: 15%).

The Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. 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.

9. INCOME TAX EXPENSE (Continued)

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

	2008 HK$'000	2007 HK$'000
(Loss)/Profit before income tax		
– from continuing operations	**(131,709)**	61,742
– from discontinued operation	**46,985**	636,752
	(84,724)	698,494
Tax calculated at the rates applicable to the jurisdictions concerned	**(17,743)**	105,846
Tax effect of expenses that are not deductible in determining taxable profit	**26,183**	16,956
Tax effect of non-taxable revenue	**(18,098)**	(119,439)
Tax effect of current year's tax losses not recognised	**30,597**	11,473
Tax effect of utilisation of tax losses previously not recognised	**(4,310)**	(9,447)
Tax effect of temporary differences not recognised	**(46)**	(81)
Tax refund on reinvestment in a PRC subsidiary	**(9,962)**	–
(Over)/Under-provision in respect of prior years	**(79)**	421
Income tax expense	**6,542**	5,729

	2008 HK$'000	2007 HK$'000
Represented by:		
Tax charge attributable to discontinued operation (note 10)	**–**	–
Tax charge attributable to continuing operations reported in consolidated income statement	**6,542**	5,729
	6,542	5,729

10. DISCONTINUED OPERATION

On 20 March 2008, a subsidiary of the Company entered into an agreement to dispose of its 100% equity interest in another subsidiary. The subsidiary was engaged in property development and, since its disposal, the Group ceased its property development operation. The results and cash flows from property development operation included in the consolidated financial statements are as follows:

	Notes	2008 HK$'000	2007 HK$'000
Result			
Other operating income	5(b)	–	199
Administrative expenses		(16)	(2,828)
Other operating expenses		–	(1,400)
Finance costs	7	–	(39)
Loss before income tax	8	(16)	(4,068)
Income tax expense	9	–	–
Loss for the year		(16)	(4,068)
Gain on disposal of subsidiaries	45(a)	47,001	640,820
Profit for the year from discontinued operation		46,985	636,752
Cash flows			
Operating activities		(16)	(8,021)
Investing activities		–	(1,590)
Financing activities		–	(324)
Net cash outflow		(16)	(9,935)

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

Of the consolidated loss for the year attributable to the equity holders of the Company of HK$76,537,000 (2007: consolidated profit of HK$689,800,000), a profit of HK$33,226,000 (2007: HK$182,247,000) has been dealt with in the financial statements of the Company.

12. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of basic (loss)/earnings per share from continuing and discontinued operations is based on the (loss)/profit for the year attributable to the equity holders of the Company of HK$76,537,000 (2007: profit of HK$689,800,000) and on 19,914,504,877 (2007: 19,914,504,877) ordinary shares in issue during the year.

(b) From continuing operations

The basic (loss)/earnings per share from continuing operations attributable to the equity holders of the Company is calculated based on the following data:

(Loss)/earnings figures are calculated as follows:

	2008 HK$'000	2007 HK$'000
(Loss)/Profit for the year from continuing operations	**(138,251)**	56,013
Less: (Loss)/Profit for the year attributable to minority interests from continuing operations	**(14,729)**	5,037
	(123,522)	50,976

The denominators used are the same as those detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

(c) From discontinued operation

The basic earnings per share from discontinued operation attributable to the equity holders of the Company is calculated based on the following data:

Earnings figures are calculated as follows:

	2008 HK$'000	2007 HK$'000
Profit for the year from discontinued operation	**46,985**	636,752
Less: Loss for the year attributable to minority interests from discontinued operation	**–**	(2,072)
	46,985	638,824

The denominators used are the same as those detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

(d) The share options have no dilutive effect on the (loss)/earnings per share for the years ended 31 December 2008 and 2007 as the exercise price of the options outstanding during the year exceeds the average market price of ordinary shares.

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 **HK$'000**	2007 HK$'000
Continuing operations		
Wages and salaries	**321,043**	286,894
Pension costs – defined contribution plans	**60,483**	25,335
Staff welfare	**27,921**	26,059
	409,447	338,288
Less: Amounts capitalised in intangible assets	**(6,118)**	(9,460)
	403,329	328,828
Discontinued operation		
Wages and salaries	**–**	1,284
Pension costs – defined contribution plans	**–**	320
	–	1,604
Less: Amounts capitalised in intangible assets	**–**	–
	–	1,604
Total employee benefit expenses	**403,329**	330,432

14. 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 2007					
Cost	–	5,923	148,371	3,850	158,144
Accumulated depreciation	–	–	(100,048)	(3,182)	(103,230)
Net carrying amount	–	5,923	48,323	668	54,914
Year ended 31 December 2007					
Opening net carrying 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)
Disposal of subsidiaries (note 45(a))	–	–	(129)	(1,573)	(1,702)
Depreciation	(844)	–	(20,248)	(360)	(21,452)
Written off	–	–	(452)	–	(452)
Net exchange differences	1,132	909	5,944	56	8,041
Closing net carrying 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 carrying amount	34,055	21,434	76,668	428	132,585
Year ended 31 December 2008					
Opening net carrying amount	**34,055**	**21,434**	**76,668**	**428**	**132,585**
Additions	**–**	**6,342**	**27,369**	**–**	**33,711**
Acquisition of subsidiaries (note 45(b))	**–**	**–**	**565**	**–**	**565**
Disposals	**–**	**–**	**(813)**	**(179)**	**(992)**
Disposal and dissolution of subsidiaries (note 45(a))	**–**	**–**	**(1,861)**	**(175)**	**(2,036)**
Transfer to investment property (note 15)	**(12,529)**	**–**	**–**	**–**	**(12,529)**
Depreciation	**(1,195)**	**–**	**(29,651)**	**(67)**	**(30,913)**
Written off	**–**	**–**	**(1,086)**	**(22)**	**(1,108)**
Net exchange differences	**2,014**	**1,429**	**4,793**	**28**	**8,264**
Closing net carrying amount	**22,345**	**29,205**	**75,984**	**13**	**127,547**
At 31 December 2008					
Cost	**24,157**	**29,205**	**209,888**	**699**	**263,949**
Accumulated depreciation	**(1,812)**	**–**	**(133,904)**	**(686)**	**(136,402)**
Net carrying amount	**22,345**	**29,205**	**75,984**	**13**	**127,547**

The Group's buildings were charged to secure banking facilities as detailed in note 43.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2007			
Cost	2,377	674	3,051
Accumulated depreciation	(2,345)	(672)	(3,017)
Net carrying amount	32	2	34
Year ended 31 December 2007			
Opening net carrying 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 carrying amount	31	2	33
Year ended 31 December 2008			
Opening net carrying amount	**31**	**2**	**33**
Disposal	**(29)**	**(2)**	**(31)**
Depreciation	**(2)**	**–**	**(2)**
Closing net carrying amount	**–**	**–**	**–**
At 31 December 2008			
Cost	**436**	**–**	**436**
Accumulated depreciation	**(436)**	**–**	**(436)**
Net carrying amount	**–**	**–**	**–**

15. INVESTMENT PROPERTY

Changes to the carrying amounts presented in the consolidated balance sheet can be summarised as follows:

	Group 2008 HK$'000
At 1 January 2008	
Cost	–
Accumulated depreciation	–
Net carrying amount	–
Year ended 31 December 2008	
Opening net carrying amount	–
Transfer from property, plant and equipment (note 14)	12,529
Depreciation	(643)
Net exchange differences	129
Closing net carrying amount	**12,015**
At 31 December 2008	
Cost	12,989
Accumulated depreciation	(974)
Net carrying amount	**12,015**

The fair value of the Group's investment property as at 31 December 2008 of approximately HK$32,520,000 has been determined by an independent professional qualified valuer, Vigers Appraisal and Consulting Limited, which is a member of Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in valuation of similar properties in recent locations.

The Group's investment property was charged to secure banking facilities as detailed in note 43.

16. 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	
	2008	2007
	HK$'000	HK$'000
Opening net carrying amount	**55,212**	12,972
Additions	**–**	40,713
Annual charges of prepaid operating lease payments	**(1,295)**	(738)
Net exchange differences	**3,491**	2,265
Closing net carrying amount	**57,408**	55,212

All the Group's prepaid land lease payments under operating leases have been pledged to secure the banking facilities granted to the Group (note 43).

17. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**414,948**	414,948
Less: Provision for impairment losses	**(309,167)**	(309,167)
	105,781	105,781
Amounts due from subsidiaries	**2,100,249**	1,933,406
Less: Provision for impairment of receivables	**(1,274,868)**	(1,274,868)
	825,381	658,538
Amounts due to subsidiaries	**741,833**	740,703

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

17. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries at 31 December 2008 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	RMB689,171,334 (2007: RMB529,171,334)	–	92 (2007: 90)	Information technology business
China Enterprise ASP Limited ("CE ASP")	Hong Kong	9,000,000 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 on the internet
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	RMB50,000,000	–	100 (2007: 90)	Property investment and 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

17. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries at 31 December 2008 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
北京紅旗中文貳仟軟件技術有限公司 (note c)	PRC	RMB10,000,000	–	65	Information technology business
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	–	100 (2007: 90)	Information technology business
北京新網數碼信息技術有限公司 (note b)	PRC	RMB10,000,000	–	100 (2007: 90)	Information technology business

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. This subsidiary is 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.

18. INTEREST IN AN ASSOCIATE

	Group	
	2008	2007
	HK$'000	HK$'000
Balance at 1 January	**–**	–
Share of results of an associate		
– loss before income tax	**–**	–
– income tax expense	**–**	–
Balance at 31 December	**–**	–
The carrying amount of interest in the associate can be analysed as follows:		
Share of net assets	**–**	–
Goodwill	**–**	–
Balance at 31 December	**–**	–

The Company had no direct equity interest in the associate as at 31 December 2008 and 31 December 2007.

Particulars of the associate as at 31 December 2008 are as follows:

Name	Particulars of issued shares capital	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 Genius Reward extracted from its unaudited financial statements is as follows:

	2008	2007
	HK$'000	HK$'000
Assets	**25,702**	25,702
Liabilities	**(33,389)**	(32,601)
Loss for the year	**(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 cumulatively amounted to HK$394,000 (2007: HK$394,000) and HK$3,843,000 (2007: HK$3,449,000) respectively.

19. GOODWILL

	Note	Group 2008 HK$'000	Group 2007 HK$'000
At 1 January			
Gross carrying amount		**347,324**	345,847
Accumulated impairment		**(289,800)**	(289,800)
Net carrying amount		**57,524**	56,047
Year ended 31 December			
Opening net carrying amount		**57,524**	56,047
Acquisition of subsidiaries	45(b)	**39,991**	–
Impairment losses		**(17,000)**	–
Net exchange differences		**1,274**	1,477
Closing net carrying amount		**81,789**	57,524
At 31 December			
Gross carrying amount		**388,589**	347,324
Accumulated impairment		**(306,800)**	(289,800)
Net carrying amount		**81,789**	57,524

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

	2008 HK$'000	2007 HK$'000
Corporate IT application services	**81,789**	57,524
Net carrying amount at 31 December	**81,789**	57,524

The recoverable amounts for the CGU given above were determined based on value-in-use calculations, covering a detailed five-year financial budgets, cash flows for a further five-year period were extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The use of a longer than five years projection is considered appropriate in view of the nature of the industry to which the goodwill is related.

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

	Corporate IT application services 2008	Corporate IT application services 2007
Growth rates	**8%**	10%
Discount rates	**8%**	8%
Weighted average rate used to extrapolate cashflows beyond the budgeted period	**3%**	N/A

The budgeted gross margin and net profit margin were determined by the management for each individual CGU based on past performance and its expectations for market development.

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

19. GOODWILL (Continued)

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

During the year ended 31 December 2008, goodwill arising from acquisition of subsidiaries stated in note 45(b), which is engaged in software development and information technology business. The goodwill is attributable to the expanding corporate IT applications services and the capture of business opportunities.

Management has reviewed its recoverable amount as at year end by reference to the value-in-use calculation and determined that goodwill was impaired. An impairment loss of HK$17,000,000 was recognised in the consolidated income statement.

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.

20. OTHER INTANGIBLE ASSETS

Group

	Computer software HK$'000	Development cost HK$'000	Total HK$'000
At 1 January 2007			
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 differences	4,617	413	5,030
Closing net carrying 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 carrying amount	85,580	12,440	98,020
Year ended 31 December 2008			
Opening net carrying amount	**85,580**	**12,440**	**98,020**
Additions	**966**	**6,610**	**7,576**
Amortisation charge for the year	**(31,909)**	**(3,162)**	**(35,071)**
Net exchange differences	**5,098**	**828**	**5,926**
Closing net carrying amount	**59,735**	**16,716**	**76,451**
At 31 December 2008			
Cost	**142,370**	**19,912**	**162,282**
Accumulated amortisation	**(82,635)**	**(3,196)**	**(85,831)**
Net carrying amount	**59,735**	**16,716**	**76,451**

21. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Property development		
Completed properties held for sale	**–**	318,267
	–	318,267

All the above inventories are stated at cost.

The properties were disposed of when the Group discontinued its property development operation. Details of the disposal were disclosed in note 10.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at market value	**1,819**	2,763
Equity securities listed in PRC, at market value	**376**	–
Fair value of listed securities	**2,195**	2,763

The above financial assets are classified as held for trading.

The fair value of the Group's investment in listed securities has been determined by reference to their quoted bid prices at the reporting date.

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

23. TRADE RECEIVABLES

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

	Group	
	2008	2007
	HK$'000	HK$'000
0 – 90 days	**7,548**	14,320
91 – 180 days	**1,645**	79,987
181 – 270 days	**1,268**	1,669
271 – 360 days	**920**	1,226
Over 360 days	**24,566**	17,118
Trade receivables, gross	**35,947**	114,320
Less: Provision for impairment of receivables	**(9,506)**	(28,279)
Trade receivables, net	**26,441**	86,041

23. 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:

	Group	
	2008	2007
	HK$'000	HK$'000
At the beginning of the year	**28,279**	19,373
Provision for impairment	**878**	7,434
Amounts written off during the year	**(21,190)**	–
Net exchange differences	**1,539**	1,472
At the end of the year	**9,506**	28,279

At each of the balance sheet dates, 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:

	Group	
	2008	2007
	HK$'000	HK$'000
0 – 90 days past due	**7,548**	14,319
91 – 180 days past due	**1,645**	69,459
181 – 270 days past due	**1,268**	249
271 – 360 days past due	**920**	25
Overdue for more than 360 days	**15,060**	1,989
	26,441	86,041

Trade receivables that were past due but not impaired relate 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.

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits and prepayments	**156,637**	74,279	**–**	–
Outstanding consideration receivable arising from the disposal of a subsidiary	**124,459**	–	**–**	–
Others	**188,778**	290,554	**4,363**	4,743
	469,874	364,833	**4,363**	4,743
Less: Provision for impairment of other receivables	**(28,588)**	(18,177)	**(3,722)**	(3,722)
	441,286	346,656	**641**	1,021
Less non-current portion:				
Deposits for purchase of intangible assets	**141,650**	58,989	**–**	–
	141,650	58,989	**–**	–
Current portion	**299,636**	287,667	**641**	1,021

The outstanding consideration receivable arising from the disposal of a subsidiary is unsecured, bears interest at the rate of 5% per annum and will be repayable on 24 September 2009.

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 is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**18,177**	12,464	**3,722**	3,040
Provision for impairment	**15,391**	5,105	**–**	682
Amounts written off during the year	**(5,738)**	–	**–**	–
Net exchange differences	**758**	608	**–**	–
At the end of the year	**28,588**	18,177	**3,722**	3,722

At each of the balance sheet dates, the Group's other receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain other receivables and appropriate provision for impairment has been made against these other receivables. The individually impaired receivables are recognised based on the credit history of these debtors, 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. Except for the amount impaired, none of the above assets is either past due or impaired.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank and cash balances	**103,692**	57,857	**1,531**	833
Short-term deposits	**–**	464	**–**	464
	103,692	58,321	**1,531**	1,297

In 2007, the effective interest rates of short-term bank deposits of the Group ranged from 1.75% to 2.55%. These deposits have maturity periods of 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 2008, the Group had cash and cash equivalents denominated in Renminbi ("RMB") amounting to approximately HK$66,103,000 (2007: HK$54,854,000), representing deposits placed with banks in Mainland China.

RMB 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 2008 (2007: Nil).

26. TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
0 – 90 days	**11,410**	12,100
91 – 180 days	**6,670**	9,128
181 – 270 days	**1,549**	1,306
271 – 360 days	**1,039**	242
Over 360 days	**7,136**	1,516
	27,804	24,292

27. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals at 31 December 2008 were amounts of HK$6,000 (2007: HK$12,339,000) due to certain securities brokers and margin financiers which are secured by shares in Nan Hai held by certain shareholders of Nan Hai who agreed to pledge their interests in Nan Hai. The amounts due bear interest at the rate of 8.25% (2007: 10% to 11%) per annum.

Included in other payables and accruals at 31 December 2008 was HK$18,814,000 (2007: HK$6,760,000) in respect of deferred government grants mainly related to the Group's design, research and development of new products by the Group which contributes positively to the local industry environment. The government grant must be utilised for the development of products specified and be recognised upon conditions fulfilled.

28. AMOUNT DUE TO A DIRECTOR

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

29. AMOUNTS DUE TO SHAREHOLDERS

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

30. 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.

31. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

Group

Included in the total amount due from ultimate holding company, HK$1,649,588,000 (2007: HK$1,649,588,000) is secured by share mortgage of a fellow subsidiary, bears interest at 8% per annum and will be repayable on or before 30 June 2009 or any other date to be mutually agreed. The remaining balance is unsecured, interest-free and repayable on demand.

Company

Included in the amount due from ultimate holding company, HK$529,584,000 (2007: HK$529,584,000) is secured by share mortgage of a fellow subsidiary, bears interest at 8% per annum and will be repayable on or before 30 June 2009 or any other date to be mutually agreed. The remaining balance is unsecured, interest-free and repayable on demand.

32. AMOUNT DUE FROM/(TO) AN ASSOCIATE

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount due from an associate	**–**	–	**20,198**	20,196
Less: Provision for impairment of receivables	**–**	–	**(4,535)**	(4,535)
	–	–	**15,663**	15,661
Amount due to an associate	**5,507**	5,507	**–**	–

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

33. BANK BORROWINGS, SECURED

At 31 December 2008, the bank borrowings, which are denominated in RMB, were repayable as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**27,935**	10,892
In the second years	**11,356**	26,268
In the third to fifth years	**19,226**	28,831
Wholly repayable within 5 years	**58,517**	65,991
Less: Portion due within one year under current liabilities	**27,935**	10,892
Portion due over one year under non-current liabilities	**30,582**	55,099

At 31 December 2008, the bank borrowings' interest rate profiles are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Floating rates		
– 8.51% (2007: 7.62%) per annum	**41,938**	50,187
Floating rates		
– 6.24% (2007: 8.22%) per annum	**16,579**	15,804
	58,517	65,991

The carrying amounts of the borrowings approximate their fair value.

34. DEFERRED TAX

At 31 December 2008, 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$31,618,000 and HK$191,316,000 (2007: HK$71,391,000 and HK$44,333,000) respectively. The amount of unrecognised deferred tax assets are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of:				
– unused tax losses	**48,316**	23,579	**–**	7,811
	48,316	23,579	**–**	7,811

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.

35. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	HK$'000
Authorised:		
At 1 January 2007, 31 December 2007 and **31 December 2008**	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2007, 31 December 2007 and **31 December 2008**	19,914,504,877	199,145

36. 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 (the "Consultants") at an exercise price of HK$0.16 per 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 expense 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 is as follows:

	2008		2007	
	Number	**Weighted average exercise price (HK$)**	Number	Weighted average exercise price (HK$)
Outstanding at 1 January	**67,550,000**	**0.16**	70,860,000	0.16
Forfeited	**–**	**–**	(3,310,000)	0.16
Expired	**(67,550,000)**	**0.16**	–	–
Outstanding at 31 December	**–**	**–**	67,550,000	0.16
Exercisable at 31 December	**–**	**–**	67,550,000	0.16

36. SHARE OPTION SCHEME (Continued)

All share options as at 31 December 2008 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:

	2008		2007	
	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
1-7-2006 to 30-6-2008	–	–	32,275,000	0.16
1-1-2006 to 31-12-2008	–	–	1,500,000	0.16
1-1-2007 to 31-12-2008	–	–	1,500,000	0.16
	–	–	67,550,000	0.16

At the balance sheet date, all share options were expired. As at 31 December 2007, the Company had 67,550,000 share options outstanding under the Scheme and the options outstanding had a weighted average remaining contractual life of 0.52 years. The exercise in full of the exercisable remaining share options would under the present capital structure of the Company, result in the issue of 67,550,000 additional ordinary shares of the Company and additional share capital of HK$675,500 and share premium of HK$10,133,000.

No additional options were granted during the years ended 31 December 2008 and 2007. 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 movement of the Company and other comparable companies with similar business nature, and it is projected on a constant annualised standard deviation on the price movement 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 2008 (2007: Nil). No liabilities were recognised due to share-based payment transactions.

37. 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 39 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	Share option reserve	General reserve (note a)	Retained profits (note b)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	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
Profit for the year	–	–	–	33,226	33,226
Released on expiry of share options	–	(3,248)	–	3,248	–
At 31 December 2008	**2,258**	**–**	**79,579**	**936,059**	**1,017,896**

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$79,591,000 (2007: approximately HK$80,022,000) 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.

38. MINORITY INTERESTS

	Note	2008 HK$'000	2007 HK$'000
At 1 January		**89,356**	191,032
(Loss)/Profit for the year		**(14,729)**	2,965
Released on disposal of subsidiaries	45(a)	**–**	(95,550)
Released on acquisition of additional interests in subsidiaries		**(9,991)**	(30,292)
Net exchange differences		**1,898**	21,201
As at 31 December		**66,534**	89,356

39. OPERATING LEASE ARRANGEMENTS

(a) At 31 December 2008, the Group's total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Within one year	**25,016**	24,090
In the second to fifth years	**7,014**	12,377
	32,030	36,467

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2007: one to three years), with options to renew the lease terms at the expiry dates or at dates as mutually agreed between certain subsidiaries of 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. (2007: Nil).

(b) At 31 December 2008, the Group's total future minimum lease receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Within one year	**3,786**	–
In the second to fifth years	**8,518**	–
	12,304	–

The Group leases its investment property (note 15) under operating lease arrangements which run for an initial period of 3 to 5 years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between certain companies within the Group and the respective tenants. No specified terms of the lease require the tenants to pay security deposits.

At 31 December 2008 and 31 December 2007, the Company had no outstanding operating lease arrangements as a lessor.

40. CAPITAL COMMITMENTS

At 31 December 2008, the Group had outstanding capital commitments as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Contracted but not provided for in respect of:		
– construction-in-progress	**197,875**	4,388
	197,875	4,388

At 31 December 2008 and 31 December 2007, the Company had no outstanding capital commitments.

41. 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$'000	Share-based compensations HK$'000	Total HK$'000
Year ended 31 December 2008					
Executive directors					
YU Pun Hoi	–	–	–	–	–
CHEN Dan	–	851	–	–	851
QIN Tian Xiang	–	–	–	–	–
Non-executive directors					
LUO Ning	–	–	–	–	–
LAM Bing Kwan	–	–	–	–	–
Independent non-executive directors					
HUANG Yaowen	135	–	–	–	135
Prof. JIANG Ping	135	–	–	–	135
CHAN Lap Stanley	66	–	–	–	66
FUNG Wing Lap	120	–	–	–	120
	456	851	–	–	1,307

41. 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$'000	Share-based compensations HK$'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

(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 (2007: one). The emoluments of the remaining four (2007: four) employees are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries and housing allowances	**3,135**	2,959
Pension scheme contributions	**36**	33
	3,171	2,992

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

(b) Five highest paid individuals (Continued)

The emoluments of these employees were within the following bands:

	Number of individuals	
Emolument bands	**2008**	2007
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 2008 and 31 December 2007, 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 2008 and 31 December 2007.

42. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
A subsidiary	**–**	–	**41,938**	50,187
An associate (note)	**12,412**	11,624	**12,412**	11,624
Third parties (note)	**65,333**	65,754	**65,333**	65,754
	77,745	77,378	**119,683**	127,565

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 44 (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 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.

43. CREDIT FACILITIES

As at 31 December 2008 and 31 December 2007, the Group's credit facilities were secured by the following:

(a) charge over prepaid land lease payments under operating leases with a net carrying value of approximately HK$57,408,000 (2007: HK$55,212,000);

(b) charge over buildings with a net carrying value of approximately HK$22,345,000 (2007: HK$34,055,000); and

(c) charge over investment property with a net carrying value of approximately HK$12,015,000 (2007: Nil).

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

44. PENDING LITIGATIONS

(a) In respect of the purported sale of certain 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 minority shareholders of CE Dongli issued a claim against CE ASP, a wholly-owned subsidiary of Dadi Media, for (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.

The Group considered that it would not incur a material outflow of resources as a result of the above matters.

45. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal and dissolution of subsidiaries

	2008 **HK$'000**	2007 HK$'000
Net assets disposed of:		
Property, plant and equipment	**2,036**	1,702
Inventories	**329,855**	717,832
Trade receivables	**56**	–
Deposits, prepayments and other receivables	**56,008**	376,315
Cash and cash equivalents	**80**	10,013
Minority interests (note 38)	**–**	(95,550)
Trade payables	**(2,155)**	–
Other payables and accruals	**(10,291)**	(294)
Amounts due to group companies	**(115,403)**	(909,723)
Amount due to a director	**(70,655)**	–
Finance lease liabilities	**–**	(844)
	189,531	99,451
Exchange reserve realised on disposal and dissolution	**(49,073)**	(28,298)
General reserve released on disposal and dissolution	**–**	(401)
Net gain on disposal and dissolution of subsidiaries	**67,182**	640,820
	207,640	711,572
Satisfied by:		
Cash – receivable from ultimate holding company	**–**	711,572
Cash	**54,353**	–
Consideration receivable included in other receivables	**153,287**	–
	207,640	711,572

Included in total of net gain on disposal and dissolution of subsidiaries, HK$47,001,000 (2007: HK$640,820,000) and HK$20,181,000 (2007: Nil) was related to gain on disposal and dissolution of subsidiaries from discontinued operation (note 10) and continuing operations respectively.

The analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal and dissolution of subsidiaries is as follows:

	2008 **HK$'000**	2007 HK$'000
Cash and cash equivalents	**(80)**	(10,013)
Cash consideration	**54,353**	–
	54,273	(10,013)

The subsidiaries disposed of consumed HK$12,936,000, HK$546,000 and Nil (2007: 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 2008.

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

(b) Business combination

In June and August 2008, the Group, through its subsidiaries, entered into sales and purchases agreements to acquire 55.97%, 100% and 100% equity interest in subsidiaries for considerations of RMB1,720,000, RMB1,000,000 and RMB100,000 respectively.

Since the acquisition, the subsidiaries in aggregate contributed HK$15,000 to the Group's turnover and loss of HK$7,304,000 to the consolidated loss for the year ended 31 December 2008.

Had the combination been taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$439,081,000 and HK$113,361,000 respectively.

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

	2008 HK$'000
Cash consideration	**3,212**
Fair value of net liabilities assumed	**36,779**
Goodwill (note 19)	**39,991**

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

	2008 HK$'000
Property, plant and equipment	**565**
Deposits, prepayments and other receivables	**512**
Cash and cash equivalents	**149**
Accruals and other payables	**(38,005)**
Net liabilities assumed	**(36,779)**

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

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

(b) Business combination (Continued)

The net cash outflows arising from the acquisitions are as follows:

	2008 HK$'000
Purchase considerations	
– Cash considerations	3,212
– Consideration payables	(1,256)
Settled in cash	1,956
Cash and cash equivalents in subsidiaries acquired	(149)
Cash outflows on acquisitions	1,807

The Group did not have any business combination during the year ended 31 December 2007.

(c) Major non-cash transactions

During the year ended 31 December 2008, the Group had the following major non-cash transaction:

(i) The trade and other receivables of HK$34,325,000 was offset against the amount due to a director in accordance with the debts assignment signed among these parties.

(ii) The other payables of HK$13,426,000 was taken up by a director in accordance with the debts assignment signed among these parties.

(iii) The other receivables of HK$218,090,000 was taken up by Nan Hai in accordance with the debts assignment signed among these parties.

(iv) The trade and other receivables of HK$69,571,000 was offset against other payable in accordance with the debts assignment signed among these parties.

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

(i) The trade and other receivables of HK$114,980,000 was taken up by Nan Hai in accordance with the debts assignment signed among these parties.

(ii) The other receivables of HK$30,312,000 was offset against the amount due to a director in accordance with the debts assignment signed among these parties.

(iii) The other borrowing of HK$25,468,000 was taken up by Nan Hai in accordance with the debts assignment signed among these parties.

(iv) The amounts due from the disposed subsidiaries of HK$938,016,000 was taken up by Nan Hai in accordance with the sales and purchases agreement.

46. 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 schemes 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$59,239,000 (2007: HK$23,927,000) 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 2008 and 2007.

47. RELATED PARTY TRANSACTIONS

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 41.

During the year, a group of subsidiaries was disposed of to the ultimate holding company with the gain on disposal of subsidiaries of HK$12,270,000 (2007: Nil).

Included in other interest income of HK$141,499,000, HK$131,967,000 was interest income from ultimate holding company.

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

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial assets and liabilities include bank balances and cash, equity investments, borrowings, trade receivables, other receivables and trade payables and accruals and amount due from/to related parties. 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.

48.1 Foreign currency risk

The Group's exposure to currency exchange rates 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.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

48.2 Interest rate risk

The Group is exposed to interest rate risk through the impact of interest rate changes on interest bearing bank borrowings (bank borrowings carry interests at variable rates and fixed rates) and cash and cash equivalents. The interest rates and repayment terms of bank borrowings and cash and cash equivalents of the Group are disclosed in note 33 and 25 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 2008, 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% (2007: +1% and -1%), with effect from the beginning of the year. The calculations are based on the Group's and the Company's bank borrowings and bank balance held at each balance sheet date. All other variables are held constant.

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
If interest rates were 1% (2007: 1%) higher				
Net (loss)/profit for the year	**442**	(97)	**15**	13
If interest rates were 1% (2007: 1%) lower				
Net (loss)/profit for the year	**(442)**	97	**(15)**	(13)

48.3 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.

Equity price sensitivity

At 31 December 2008, if equity prices had increased/decreased by 33% and all other variables were held constant, loss after tax for the year would decrease/increase by approximately HK$724,000 (2007: if equity prices had increased/decreased by 5%, profit for the year would increase/decrease by approximately HK$138,000). 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.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

48.4 Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligation 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 42.

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 overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables regularly at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amount. 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 and other receivables are set out in note 23 and 24 respectively.

48.5 Liquidity risk

As at 31 December 2008, the Group had net current assets of HK$1,856,705,000 and net assets of HK$2,323,307,000. 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.

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:

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

48.5 Liquidity risk (Continued)

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 2008					
Trade payables	**27,804**	**27,804**	**27,804**	**–**	**–**
Other payables and accruals	**86,020**	**86,020**	**86,020**	**–**	**–**
Amount due to a director	**6,157**	**6,157**	**6,157**	**–**	**–**
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 borrowings	**58,517**	**67,556**	**32,454**	**13,960**	**21,142**
	201,011	**210,050**	**174,948**	**13,960**	**21,142**
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 borrowings	65,991	79,120	16,016	30,454	32,650
	267,475	280,604	217,500	30,454	32,650

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

48.5 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 2008			
Other payables and accruals	**2,603**	**2,603**	**2,603**
Amounts due to subsidiaries	**741,833**	**741,833**	**741,833**
Amount due to a director	**210,988**	**210,988**	**210,988**
Amounts due to shareholders	**5,005**	**5,005**	**5,005**
	960,429	**960,429**	**960,429**
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

48.6 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 borrowings, amounts due to/from a director/shareholders/minority shareholder/ultimate holding company/associate. Analysis of the interest rate and carrying amounts of borrowings are presented in note 33 to the financial statements.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

48.7 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 3.14 and 3.16 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2008	2007	**2008**	2007
	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	**2,195**	2,763	**–**	–
Loans and receivables:				
Trade receivables	**26,441**	86,041	**–**	–
Other receivables	**284,649**	272,377	**641**	1,021
Amount due from ultimate holding company	**1,695,351**	1,640,830	**1,268,993**	1,405,221
Amounts due from subsidiaries	**–**	–	**825,381**	658,538
Amount due from an associate	**–**	–	**15,663**	15,661
Cash and cash equivalents	**103,692**	58,321	**1,531**	1,297
	2,112,652	2,060,656	**2,112,533**	2,082,062
Financial liabilities				
Financial liabilities measured at amortised cost:				
Trade payables	**27,804**	24,292	**–**	–
Other payables and accruals	**86,020**	113,816	**2,603**	7,971
Amount due to a director	**6,157**	40,863	**210,988**	211,188
Amounts due to subsidiaries	**–**	–	**741,833**	740,703
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 an associate	**5,507**	5,507	**–**	–
Bank borrowings	**58,517**	65,991	**–**	–
	201,011	267,475	**960,429**	964,867

49. 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 2008 and 31 December 2007.

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 bank borrowings 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	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Bank borrowings	**27,935**	10,892	**–**	–
Non-current liabilities				
Bank borrowings	**30,582**	55,099	**–**	–
Total debt	**58,517**	65,991	**–**	–
Less: Cash and cash equivalents	**(103,692)**	(58,321)	**(1,531)**	(1,297)
Net debt	**(45,175)**	7,670	**(1,531)**	(1,297)
Total equity	**2,323,307**	2,450,662	**1,256,235**	1,223,009
Total equity plus net debt	**2,278,132**	2,458,332	**1,254,704**	1,221,712
Gearing ratio	**N/A**	0.31%	**N/A**	N/A

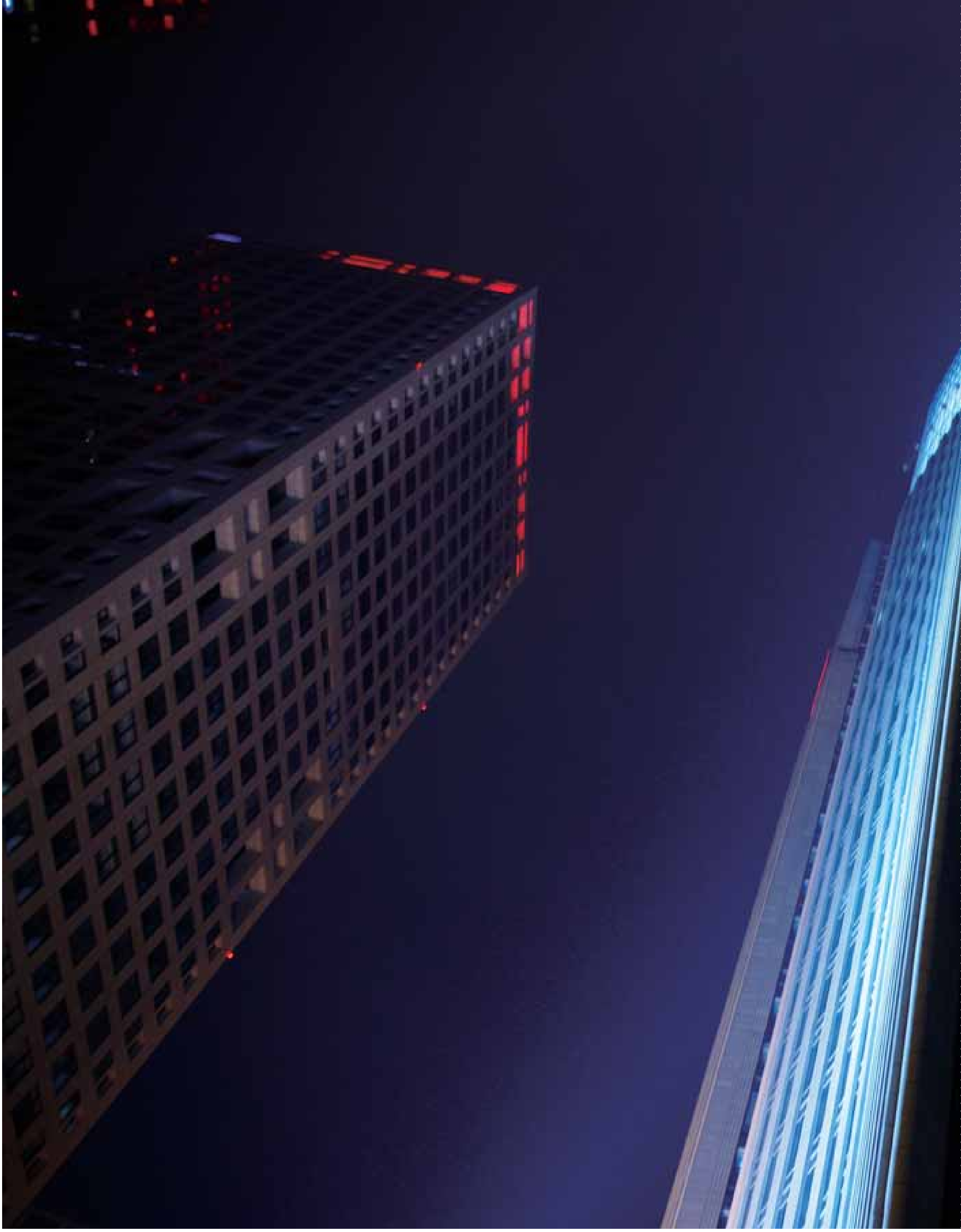
50. COMPARATIVE FIGURES

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

FIVE-YEAR FINANCIAL SUMMARY

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

	Year ended 31 December 2008 HK$'000	Year ended 31 December 2007 HK$'000	Year ended 31 December 2006 HK$'000	Year ended 31 December 2005 HK$'000	Year ended 31 December 2004 HK$'000
Revenue/Turnover	**439,032**	666,109	619,273	496,249	530,378
(Loss)/Profit for the year	**(91,266)**	692,765	(183,518)	270,159	91,362
Minority interests	**14,729**	(2,965)	(16,745)	(6,143)	(8,783)
(Loss)/Profit attributable to equity holders of the Company	**(76,537)**	689,800	(200,263)	264,016	82,579
Total assets	**2,624,499**	2,796,543	2,177,009	2,276,691	5,572,107
Total liabilities	**(301,192)**	(345,881)	(353,687)	(309,827)	(1,130,619)
	2,323,307	2,450,662	1,823,322	1,966,864	4,441,488



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