2009

ANNUAL REPORT

中國數碼信息有限公司

二零零九年度 年報

中国数码

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
Ms. LIU Rong
Mr. WANG Gang

Non-executive
Mr. QIN Tian Xiang
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

Over the past year, the Chinese government launched various stimulus measures to counter the economic crisis, resulting in a rebound of the domestic economy, and the SMEs in China, the major customers of the Company and its subsidiaries (collectively the "Group"), have gradually shaken off adversities. Notwithstanding the changes in the macroeconomic environment, the Group still adheres to its recent strategy and continues to make huge investment in technology R&D. In respect of business operation, with the successful launch of new products and effective business strategies, the major subsidiaries of the Company, namely 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") realized relatively substantial increase in operating revenue and marked significant improvement in their gross profit margin by revamping product structure in the fourth quarter.

I. CORPORATE IT APPLICATION SERVICES

Market Overview

The Chinese government has stepped up the development of e-commerce as a national strategy, which has fully demonstrated the importance of e-commerce development in driving economic growth, enhancing efficiency of commodity flow and changing the way of economic development.

In light of SMEs' limited investment in informatization, scarcity of IT talents and rapid changes in businesses, SaaS (Software as a Service) based informatization operating model with such features as use-on-demand, pay-per-use and turnkey applications for general users has increasingly become the mainstream for SMEs to attain informatization. Capital strength, technology R&D capability, ability to identify new clients and operate as well as operating experience are the keys to successful implementation of the informatization operating model. It is these four strengths and the operator's perseverance that decide success or failure.

Given the complexity of informatization, face to face localized service will become the most effective means for providing informatization service. Hence, sales channel coverage across the country and market development capabilities will become one of the informatization service providers' competition focuses.

Informatization operating model and channel development will become the Group's core strategy in the corporate IT application services sector in the long run.

CHAIRMAN'S STATEMENT

CE Dongli

In 2009, CE Dongli successfully launched a new generation of platform product for network sales. Due to the powerful functions, excellent performance and SaaS-based operating services model of this product, CE Dongli has set a new standard for the industry and strengthened its leading position in the e-commerce market of SMEs. Furthermore, CE Dongli proposed a new 10-year corporate development strategy aiming at building up a localized commerce and services network covering 300 cities across China in the next 10 years. Through face to face consultation services, it will provide a one-stop integrated corporate informatization solution to corporate clients on an informatization operating services platform, thereby enlarging customer base and promoting in-depth application of its e-commerce and informatization management. This strategy defines the mid to long term development direction for CE Dongli.

In the coming year, market development for website construction, mailbox and network sales platform remain the prime target of CE Dongli. It will devise a plan for further expansion in light of the current 70 branches for realizing wider regional market coverage.

Xinnet

In 2009, in addition to continuing to strengthen its leading position in the domestic domain name market, Xinnet continuously developed and optimized its self-developed product lines and enhanced its competitiveness through a range of measures.

In the coming year, Xinnet will continue to step up its efforts in developing new products. Besides maintaining its leading position in the domain name market, it will also aggressively tap into the web hosting, mailbox and virtual application markets. At the same time, it will continue to enhance the development of its agent channel by increasing the number of quality partners through extension of product lines and quality services, and to enhance their loyalty and value of contribution.

CHAIRMAN'S STATEMENT

II. FINANCIAL INFORMATION SERVICES

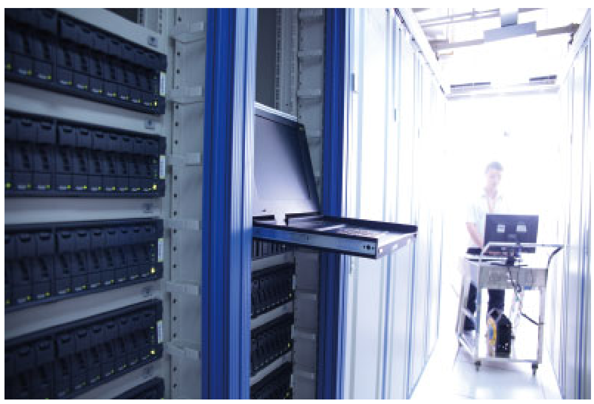
In 2009, "世華財訊 (Shihua Caixun)", the major service brand of 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) ("Shihua"), a subsidiary of the Company, cooperated with major stock exchanges around the world, and has become the first financial information provider in China with official authorization from various international stock exchanges. Through continuous improvement to its contents and upgrading of its operation efficiency, "Caixun.com", another brand of Shihua, also realized a three-fold increase in its visitor count, and helped Shihua expand its professional advantages in institutional market to the general public market. As China's financial market is still immature, together with the impact of financial crisis on various financial institutions, such as banks and securities firms, that results in their overall reduction in information services expenditures in the short run, therefore, it takes time for Shihua to turn around its business.

In the year to come, Shihua will reinforce its superior position as an authoritative institution in the local market through enriching its professional financial information, optimizing its information platform, and strengthening the strategic cooperation with internationally-renowned financial information and analysis institutions, and will adhere to internationally accepted standards for information analysis as a leading development in the financial sector in China.

III. DISTANCE LEARNING EDUCATION SERVICES

In 2009, 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, increased the sign-up rate of new members and doubled the number of B2C purchasing members by means of its improved sales and marketing methods, and expected that the conversion rate to pay-members would increase steadily.

In the year to come, Chinese Dadi will continue to focus on the individual learning and group learning markets, upgrading the services of the website and strengthening its marketing initiatives, so as to build up the Number One website for continuing education in China.



CHAIRMAN'S STATEMENT

IV. TECHNOLOGICAL DEVELOPMENT

Notwithstanding the economic crisis, the Group remains adamant in its investment in technology R&D and management, and strengthened and sharpened its leading edge in IT application services operation and basic software development sectors through its subsidiaries 北京中企開源信息技術有限公司 (Beijing CE Open Source Software Co., Ltd.) ("CE Open") and 北京紅旗貳仟軟件技術有限公司 (Redflag 2000 Software Co., Ltd.) ("Redflag 2000"). Core technology abilities such as basic and application technologies have been strengthened continuously, and the abilities in managing technology R&D, product development and services operation have also been enhanced continuously.

Based on the in-depth research and understanding about the actual needs of the customers, CE Open kept improving and enhancing users' experience. By focusing on service quality and integrating various products and services, it has gradually finalized a comprehensive solution for the industry and application based on software services operating model; and built up a customer-oriented, self-fulfilled service and security management system that achieved international standards. Meanwhile, breakthroughs are made in such technology areas as cloud computing and cloud storage platform, distributed file system, virtual computing, storage virtualization, cloud operating system, distributed middleware and database cluster etc.. Quality and efficiency of the operating services are enhanced while operating costs are effectively controlled.

In addition to the on-going upgrading of functions, performance and compatibility of office software, Redflag 2000 has been actively exploring and innovating business model. Based on the SaaS and cloud computing technology, Redflag 2000 has launched the browser-based online office software and rolled out the promotion of IT application services. Through the strategy of resources integration, Redflag 2000 has preliminarily determined the direction for synchronized development of domestic software and hardware.

In the coming year, the Group will further enhance and deepen the cooperation with governmental departments, capitalizing on the opportunities arising from the development trend of service-specific software, and position itself as the market leader in the SaaS industry.

V. CONCLUSION

Resulting from the efforts made over the past few years, the Group has strengthened its customer base, product structure and technology capacity. Its dedication in research warrants a comprehensive, positive and continual development. In the coming year, the Group will leverage on the edge in its existing businesses to ensure a constant and stable growth in its sales scale and results. Meanwhile, the Group will also improve the operating ability of the new businesses, so as to increase its earnings and maximize the investment returns for the shareholders.

Yu Pun Hoi
Chairman

Hong Kong, 1 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

During the year under review, the Group was principally engaged in corporate IT application services, financial information services and distance learning education services. During the year, turnover and net loss attributable to the owners of the Company were approximately HK$427.0 million (2008: HK$439.0 million) and approximately HK$151.5 million (2008: HK$91.3 million) respectively. The net assets attributable to the owners of the Group were approximately HK$2,110.2 million (2008: HK$2,256.8 million), representing a value of approximately HK$0.106 per share.

Increase in loss was mainly due to the absence of one-off extraordinary items of (i) an extraordinary profit from disposal of Beijing Golden Century Hotel Limited; (ii) tax refund by the tax authority in the PRC resulting from capitalization of retained profit by CE Dongli; and (iii) tax loss was used to set off part of the provision of tax for interest income from the outstanding receivables from Nan Hai Corporation Limited ("Nan Hai"), in respect of the disposal of 51% interest of Listar Properties Limited, in 2008, in addition to reduction in interest received from the loan made available to Nan Hai, resulting from change of interest rate from 8% to 6% p.a. and settlement of part of the loan by Nan Hai.

Corporate IT Application Services

During the year, turnover and net loss of this division were approximately HK$402.9 million (2008: HK$428.0 million) and approximately HK$212.8 million (2008 (restated): net loss of HK$198.9 million) respectively.

Although global economy starts to recover, a lot of SMEs are still in difficult times, which has directly affected the operating income of major subsidiaries of the Group. As SMEs is the largest customer group of this division, the Group must keep introducing new elements into its products and services, so as to satisfy the needs for different customers, and thus enhancing the Group's income. Therefore, software development and hardware investment have been inevitable. Revenue from this division will soon rebound once the business environment of SMEs is improved.

In 2009, the corporate IT application services division of the Group continued to maintain sustainability and stability in its business and beefed up its advertising campaign. Following the constant improvement of product lines, the operating turnover realized positive adjustment by about 20% in the second half of 2009 by comparing with the first half. Subsidiaries of the Group have gained positive market recognition.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the IDC Report of 2008, CE Dongli was the first runner-up in the IT outsourcing services market and had been the leader in China's domestic IT outsourcing services market for five consecutive years. Meanwhile, CE Dongli was awarded "Pillar Enterprise of China's Software Industry", "Award for the Most Reliable E-commerce Product to SMEs in China 2009" and "Award for Contributing to SaaS Development in China IT Industry 2009" etc.

Financial Information Services

As China's financial market is still immature, together with the impact of financial crisis on various financial institutions, such as banks and securities firms, that resulted in their overall reduction in information services expenditures in the short run. Therefore, Shihua has to take time to turn around its business.

In 2009, Shihua continued to pursue its business of financial information services and, leveraging on its comprehensive financial management solutions and good quality services, to provide a wide variety of professional information products for users.

During the year, turnover and net loss of this division were approximately HK$18.3 million (2008: HK$22.5 million) and approximately HK$43.3 million (2008 (restated): net loss of HK$37.9 million) respectively.

Distance Learning Education Services

In 2009, having adopted the target marketing and franchised marketing, Chinese Dadi succeeded in attracting new target members and expected that the conversion rate to pay-members would increase steadily. Chinese Dadi will closely monitor its operation and make appropriate adjustments.

During the year, turnover and net loss of this division were approximately HK$5.8 million (2008: HK$9.6 million) and approximately HK$4.1 million (2008 (restated): net loss of HK$1.7 million) respectively.

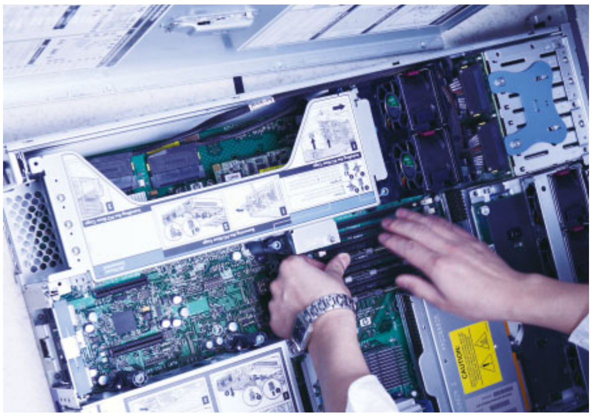
II. TECHNOLOGICAL RESEARCH AND DEVELOPMENT

In 2009, CE Open has applied for registration of 31 patents. It has also undertaken an important technology research project – research and development of supportive platform of software services operating technology and demonstration of use programs. CE Open joined forces with domestic hardware manufacturers as well as basic software and application software developers to build a SaaS product chain covering crucial technological research, application development and promotion, submitted five draft standards to international and domestic standard organizations and obtained accreditation of ISO20000 IT Service Management System and ISO27001 Information Security Management System. The RedOffice, an office software developed by Redflag 2000, was listed as "The first batch of self-innovative products of the Nation", and declared admission to the domestic basic software integrated applications test and domestic office software adaptation and optimization program under "核高基 (Core High Basic)", a collective term for core electronic devices, high-end universal chips and basic software products, in addition to the admission, it got such awards as "Contribution Award by Zhongguancun Science and Technology Park at its Twenty Years Anniversary" and "Award for China's Open-Source Software in Promoting Productivity 2008".

III. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2009, the net assets attributable to the owners of the Group amounted to approximately HK$2,110.2 million (2008: HK$2,256.8 million), including cash and bank balances of approximately HK$78.7 million (2008: HK$103.7 million) which were denominated mainly in Renminbi and Hong Kong dollars. As at 31 December 2009, the Group's aggregate borrowings were approximately HK$30.7 million (2008: HK$58.5 million), and were bearing interest at floating rates. Given the Group's net cash position as a result of the sales proceeds from disposal of a subsidiary and advances from Nan Hai, gearing ratio, which is calculated as the net debt divided by adjusted capital plus net debt, was not applicable for both the years ended 31 December 2009 and 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS



Capital commitment as at 31 December 2009 is approximately HK$177.4 million, and will use as the construction expenses of the headquarter of corporate IT application services.

The Group's contingent liabilities as at 31 December 2009 were approximately HK$78.6 million due to the guarantees given in connection with credit facilities.

As at 31 December 2009, prepaid land lease payments under operating lease and buildings with a net book value of approximately HK$42.4 million were pledged to secure credit facilities granted to the Group and charge over financial assets at fair value through profit or loss with a net carrying amount of HK$2.2 million.

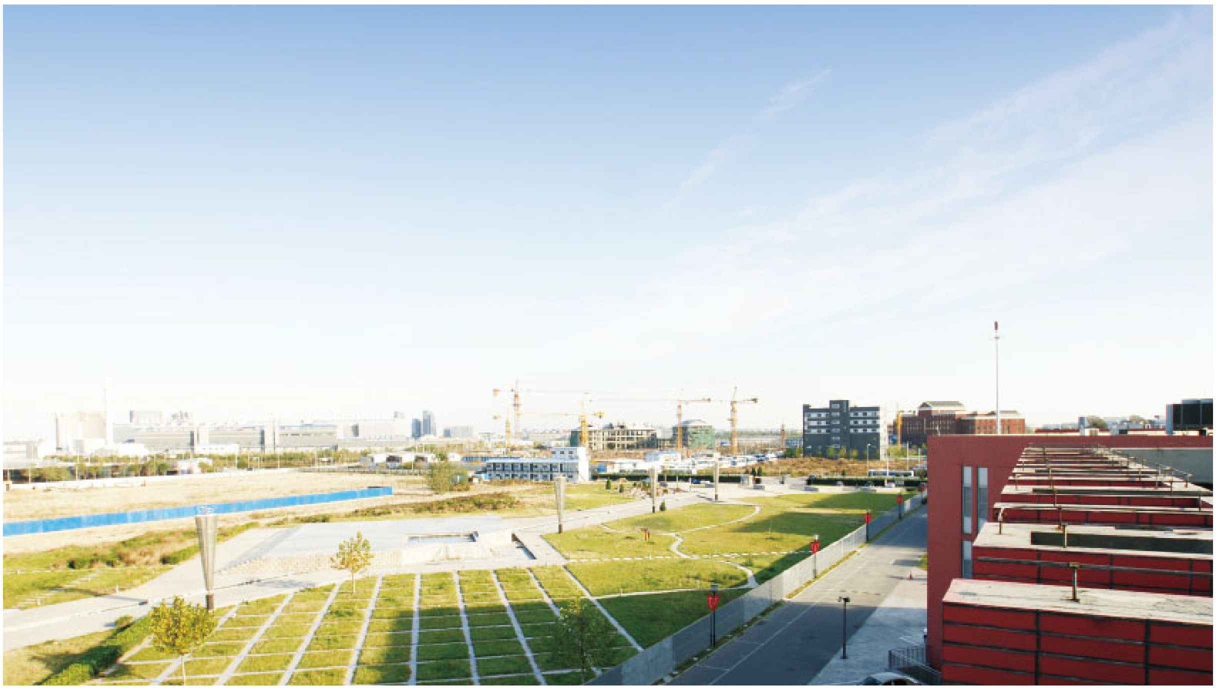
IV. EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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 reported 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. The Group 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 etc.. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the board of directors ("Board") of the Company. In general, salary is subject to annual review. As at 31 December 2009, the Group had approximately 7,466 employees (2008: 6,550 employees). The salaries of and allowances for employees for the year ended 31 December 2009 were approximately HK$436.3 million (2008: HK$409 million).

MANAGEMENT DISCUSSION AND ANALYSIS



VI. PROSPECT

Looking forward in 2010, China's economy will continue to rebound steadily. SMEs will be having more opportunities and the corporate informatization market will have a promising future for development.

In the coming year, the Group will continue to step up its commitment to technology research and development so as to strengthen creativity; to step up on-going optimization and constant perfection of product structure by launching new products, devising corresponding business strategies and enhancing management efficiency; to increase profitability of the enterprise by strengthening the operating efficiency of its direct sales network and dealership channel to enlarge premium customer base; and fully achieve economies of scale by promoting strategic synergy and share of resources within the Group. On the basis of continuous positive adjustments to the business structure and by maintaining and expanding the growing trend towards the end of 2009, the overall operating performance of the Group in 2010 will be much improved.

REPORT OF THE DIRECTORS

The Board of the Company herein presents their report and the audited financial statements of the Group for the year ended 31 December 2009.

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 31.

The directors do not recommend the declaration of the payment of a final dividend for the year ended 31 December 2009 (2008: 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 104.

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 2009 are set out in notes 17 and 18 to the financial statements respectively.

BANK BORROWINGS

The Group's bank borrowings as at 31 December 2009 is set out in note 32 to the financial statements.

SHARE CAPITAL AND SHARE PREMIUM

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

RESERVES

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

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2009, the amount of the Company's reserves available for distribution was approximately HK$456,727,000. 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 2009 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 40 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2009, none of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

PENSION COSTS

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

DIRECTORS

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

Mr. YU Pun Hoi *(Chairman)*	
Ms. CHEN Dan	
Ms. LIU Rong	(appointed on 10 March 2009)
Mr. WANG Gang	(appointed on 10 March 2009)
Mr. QIN Tian Xiang#	(re-designated on 12 June 2009)
Mr. LUO Ning#	
Mr. LAM Bing Kwan#	
Mr. HUANG Yaowen*	
Prof. JIANG Ping*	
Mr. FUNG Wing Lap*	

Non-executive directors
* Independent non-executive directors

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

In accordance with Article 94 of the Company's articles of association, Mr. Yu Pun Hoi, Mr. Luo Ning, Mr. Lam Bing Kwan and Mr. Fung Wing Lap shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical Details of Directors

Executive Directors

Mr. YU Pun Hoi, aged 51, 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 in January 1997. Mr. Yu is also the chairman of the Board, 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.

Ms. CHEN Dan, aged 41, 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, and is also a qualified lawyer in China. Ms. Chen worked in Europe prior to joining the Group.

Ms. Chen joined 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, and is responsible for all the operations management within the Group, and is also a general manager of CE Dongli, a subsidiary of the Company. 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.

Ms. LIU Rong, aged 38, graduated from the Law School of Anhui University and obtained a degree of Bachelor of Laws, and got her Master of Laws conferred by the Law Institute of Chinese Academy of Social Science, and is also a qualified lawyer in China. Prior to joining the Group, Ms. Liu worked in Chinese governmental departments and law firms.

Ms. Liu joined the Group in April 2002 as a company secretarial manager, and is responsible for corporate affairs, investments and mergers and acquisitions of the Group in China. In 2007, Ms. Liu was appointed as a general manager of Dadi Media (HK) Limited, a wholly-owned subsidiary of Nan Hai, and is 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 in 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.

Mr. WANG Gang, aged 54, graduated from Capital University of Economics and Business in China and conferred a Bachelor degree in Business Economics 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 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited) ("Nanhai Yitian"), a subsidiary of Nan Hai, and was appointed as a general manager of Nanhai Yitian in February 2009, and is responsible for all the related businesses in property development of Nan Hai group. Mr. Wang has been appointed as an executive director and executive committee member of the Company in 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.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Directors (Continued)

Non-executive Directors

Mr. QIN Tian Xiang, aged 44, graduated from Electronics Technique Department of the National University of Defense Technology. 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 in September 2004, and was then re-designated as an executive director and appointed as an executive committee member of the Company in February 2006. Due to Mr. Qin's health condition, he resigned all the positions of the Company and Nan Hai and all respective subsidiaries of the Company and Nan Hai in June 2009, save and except his re-designation as a non-executive director of the Company and Nan Hai.

Mr. LUO Ning, aged 51, 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 in October 1999.

Mr. LAM Bing Kwan, aged 60, graduated from the University of Oregon in the United States of America with a Bachelor degree of Business Administration 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 in October 1991, and was re-designated as a non-executive director in 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 39, graduated from South West University of Politics and Laws in China and was conferred a Bachelor degree in Laws in 1992. Mr. Huang also obtained a degree of EMBA in China Europe International Business School, and 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. In February 2006, Mr. Huang joined the Board of the Company and has been 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 79, 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 also the honorary president of China Comparative Law Research Centre; chairman of Beijing Arbitration Commission; and counsellor and member of committee of experts in China International Economic and Trade Arbitration Commission. In June 2006, Prof. Jiang joined the Board of the Company and has been 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 in September 2004 and is also a member of audit committee and remuneration committee of the Company.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management

Dr. ZHANG Bin (aged 44)
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.)

Dr. Zhang graduated from the Computer Faculty of The University of Defence Technology and his research was in computer architecture. Dr. Zhang has extensive experience in software development and management, and was accredited as Senior Engineer.

Dr. Zhang joined the Group in 1999, and is responsible for organizing and leading technical teams in areas of R&D and application for IT application services technology. In March 2005, Dr. Zhang was appointed as a chief technology officer of the Group. In April 2006, Dr. Zhang has been appointed as a deputy general manager of the Technology Development Department of the Group; general manager of CE Open; and deputy general manager of CE Dongli, and is responsible for technological strategy, R&D, product development, technological operation and other related works of the Group, contributing to a leading position in product development and IT services operation system in China for the Group.

Mr. YU Fan (aged 42)
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 Master degree. Prior to joining the Group, Mr. Yu worked in senior positions in large domestic and joint venture corporations such as Founder Group, and has profound understanding in IT business and extensive experience in business operation.

In 2004, Mr. Yu joined CE Dongli, and was appointed as a deputy general manager, and was responsible for its strategy and business development. In 2006, Mr. Yu was then promoted as a general manager of CE Dongli. In 2007, Mr. Yu has been appointed as a deputy general manager of the Group, and is responsible for planning and development of strategies and businesses of the Group.

Mr. CHEUNG On Yin (aged 48)
Deputy General Manager – Branding and Marketing
Sino-i Technology Limited

Mr. Cheung was in senior positions in a number of major corporations of 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 and also has extensive experience in branding and marketing.

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 Group 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 Group and CE Dongli in 2008, and is responsible for the overall branding of IT business and marketing of the Group.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management (Continued)

Mr. WANG Jian (aged 45)
General Manager
北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited)

Mr. Wang graduated from Tsinghua University, and obtained a Master degree of Engineering from Hunan University, and has extensive experience in IT business.

In 2003, Mr. Wang set up "Magzone.com", which is the largest original edition magazine website in Asia. In 2004, Mr. Wang established Magzone Asia Pte. Limited in Singapore and was funded by Economic Development Board of Singapore, which was the only Internet corporation receiving financial assistance at that time. In 2006, Mr. Wang was the chief president and chief technology officer of Sun New Media (Beijing) Co., Ltd.. Mr. Wang was also the general manager of finance division of IPACS Technology Co., Ltd..

In 2008, Mr. Wang joined the Group as a general manager of Xinnet.

Ms. YANG Bettina (aged 39)
General Manager
北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited)

Ms. Yang obtained a Master degree of International Public Policy from School of Advanced International Studies, Johns Hopkins University, USA and Bachelor degree of Public Communication and Spanish from American University, USA. Ms. Yang has extensive and professional experiences in information sector both domestically and internationally.

Prior to joining the Group, Ms. Yang was in position of vice president – public relations of Partnership for Caring, an American charitable organization, and was responsible for planning national public relation strategy, and negotiating with American legislative and administrative departments in view of the congress bills and the related policies.

Ms. Yang joined the Group in 1999 and was appointed as a general manager of Shihua in 2007.

Ms. LIN Chuan Ju (aged 42)
General Manager
北京中企動力商務信息有限公司 (Beijing CE Dongli Business Information Company Limited)

Ms. Lin graduated from National Chiao Tung University in Taiwan, and got a Master degree of Marketing Communication from Emerson College of Boston University, and also obtained a qualification of university lecturer.

Prior to joining the Group, Ms. Lin worked in an international advertising company, and was responsible for integrated planning of sales and marketing, internet sales and e-commerce for various renowned corporations. Ms. Lin cooperated with famous Taiwanese artists to organize network alliances for promoting cultural life. Ms. Lin also worked in a magazine namely "Business Today" of Taiwan, and was responsible for the management on the marketing and distribution businesses of the magazine.

Ms. Lin joined the Group in 2004. In 2005, Ms. Lin was a deputy general manager of CE Dongli, and was responsible for the related businesses of the corporate information and business promotion. In 2006, Ms. Lin dedicated to constructing "yidaba.com", making it to be a business community for SMEs' continuous development and accommodating corporations and individuals from various industries.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management (Continued)

Dr. WU Fa Ti (aged 39)
General Manager
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)

Dr. Wu graduated from the Information Science College of Beijing Normal University and obtained a Doctor of Education Technology.

Dr. Wu has hosted and/or participated in more than 20 national, provincial and departmental major scientific research projects. Dr. Wu published four academic writings, and published more than 20 academic theses in domestic and overseas core academic periodicals and international conferences. Dr. Wu is the expert member of technical committee of China-US E-Language Learning System (ELLS) of the Ministry of Education; expert member of resource development committee of "The Project of Modern Distance Education in Rural Area" of the Ministry of Education; member of China Educational Technology Association; member of Chinese Association for Artificial Intelligence Computer Based Education Society; and chairman of program committee of the 12th Global Chinese Conference on Computers in Education.

In June 1999, Dr. Wu joined the Group as a director of education technology of Chinese Dadi and was promoted to general manager in 2006.

Mr. CHEN Ming Fei (aged 33)
Executive Deputy General Manager
CE Dongli Technology Group Company Limited

Mr. Chen has more than 10 years' sales experience and possesses with acute insight in IT business. Mr. Chen has extensive and professional experiences in product creation, business strategy planning and business management. Prior to joining the Group, Mr. Chen worked in Vorwerk of Co. KG, a German company.

In 2000, Mr. Chen joined CE Dongli, and was appointed as a National Commercial Director in 2005, and was responsible for the overall business strategy planning and business management of CE Dongli. In 2006, Mr. Chen has been appointed as a deputy general manager of CE Dongli and has been appointed as an executive deputy general manager in June 2007.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, 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") as set out in Appendix 10 to the Listing Rules 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. 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.

REPORT OF THE DIRECTORS

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

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 2009, the interests of the directors of the Company in shares and underlying shares of Nan Hai were as follows:

Nan Hai

(i) Long position in shares in issue

	Number of shares of HK$0.01 each				
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi	–	33,745,726,203 *(Note 1)*	69,326,400 *(Note 2)*	33,815,052,603	49.26%
Chen Dan	32,000,000	–	–	32,000,000	0.05%
Wang Gang	8,500,000	–	–	8,500,000	0.01%
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 33,745,726,203 shares, 30,003,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Ltd., Pippen Limited and First Best Assets Limited, companies wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Ltd., 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.

REPORT OF THE DIRECTORS

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

Associated Corporations (Continued)

Nan Hai (Continued)

(ii) Long position in underlying shares

Name of Director	Number of underlying shares of HK$0.01 each*	Nature of interest	Approximate percentage holding
Chen Dan	7,000,000	Personal	0.01%
Liu Rong	7,000,000	Personal	0.01%
Lam Bing Kwan	3,000,000	Personal	0.004%

* 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	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Liu Rong	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Lam Bing Kwan	20-04-2009	0.0702	1,500,000	01-01-2010 to 31-12-2011
			1,500,000	01-01-2011 to 31-12-2011

Save as disclosed above, as at 31 December 2009, none of the directors nor chief executive of the Company had any interests or short positions in the 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.

REPORT OF THE DIRECTORS

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.

The options granted on 12 November 2004 at the exercise price of HK$0.16 per share expired at the close of business on 31 December 2008.

During the year ended 31 December 2009, no share options were granted under the Scheme.

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 Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Scheme or 30% of the issued share capital of the Company from time to time. No options may be granted under the 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.

REPORT OF THE DIRECTORS

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.

REPORT OF THE DIRECTORS

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 contract concerning the management and administration of the whole or any substantial part of the business of the Company was 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 2009, 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 2009, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

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

REPORT OF THE DIRECTORS

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 25 to 29.

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 2009, 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, 1 April 2010

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 2009, except for the deviation from Code Provisions A.2.1 and A.4.1 which, in the Company's opinion, are unsuitable or inappropriate for adoption. Explanations for such non-compliance are provided below.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 2009.

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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The current Board is made up of ten directors including four executive directors, three 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 13 to 14 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
Ms. LIU Rong
Mr. WANG Gang

Non-executive Directors

Mr. QIN Tian Xiang
Mr. LUO Ning
Mr. LAM Bing Kwan

Independent Non-executive Directors

Mr. HUANG Yaowen
Prof. JIANG Ping
Mr. FUNG Wing Lap

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

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

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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

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
Ms. LIU Rong
Mr. WANG Gang

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 eight meetings during the year.

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

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 seven 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 2008 and the unaudited interim results for the six months ended 30 June 2009, and discussed the auditing, financial control, internal control and risk management systems.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

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

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 seven meetings during the year.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The following table shows the individual attendance of each director at the meetings of the full Board, the Executive Committee, the Audit Committee and the Remuneration Committee for the year ended 31 December 2009:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Executive Committee**	**Audit Committee**	**Remuneration Committee**
Executive Directors				
Mr. YU Pun Hoi	9/9	8/8	N/A	N/A
Ms. CHEN Dan	9/9	8/8	N/A	N/A
Ms. LIU Rong (appointed on 10 March 2009)	8/9	4/8	N/A	N/A
Mr. WANG Gang (appointed on 10 March 2009)	8/9	4/8	N/A	N/A
Non-executive Directors				
Mr. QIN Tian Xiang (re-designated on 12 June 2009)	Nil	1/8	N/A	N/A
Mr. LUO Ning	6/9	N/A	N/A	N/A
Mr. LAM Bing Kwan	9/9	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. HUANG Yaowen	9/9	N/A	7/7	7/7
Prof. JIANG Ping	8/9	N/A	6/7	7/7
Mr. FUNG Wing Lap	9/9	N/A	7/7	7/7
Number of meetings held during the year	9	8	7	7

CORPORATE GOVERNANCE REPORT

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 2009.

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 30.

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 2009 amounted to HK$3,240,000 and HK$227,000 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 responsibilities and authorities to the senior management.

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, 1 April 2010

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 31 to 103, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2009 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
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

1 April 2010

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations:			
Revenue/Turnover	5(a)	**427,004**	439,032
Cost of sales and services provided		**(131,673)**	(140,923)
Gross profit		**295,331**	298,109
Other operating income	5(b)	**137,185**	151,720
Gain on disposal and dissolution of subsidiaries	44(a)	**26,461**	20,181
Gain arising on acquisition of additional interests in subsidiaries		**–**	9,991
Impairment loss on goodwill	19	**–**	(17,000)
Selling and marketing expenses		**(236,950)**	(244,164)
Administrative expenses		**(248,194)**	(229,086)
Other operating expenses		**(103,635)**	(115,203)
Finance costs	7	**(4,848)**	(6,257)
Share of results of an associate		**–**	–
Loss before income tax	8	**(134,650)**	(131,709)
Income tax expense	9	**(16,841)**	(6,542)
Loss for the year from continuing operations		**(151,491)**	(138,251)
Discontinued operation:			
Profit for the year from discontinued operation	10	**–**	46,985
Loss for the year		**(151,491)**	(91,266)
Attributable to:			
Owners of the Company	11	**(142,482)**	(76,537)
Minority interests	37	**(9,009)**	(14,729)
Loss for the year		**(151,491)**	(91,266)
		HK cent	HK cent
Loss per share for loss from continuing operations attributable to the owners of the Company during the year	12(b)		
– Basic		**(0.71)**	(0.62)
– Diluted		**N/A**	(0.62)
Earnings per share for profit from discontinued operation attributable to the owners of the Company during the year	12(c)		
– Basic		**N/A**	0.24
– Diluted		**N/A**	0.24
Loss per share for loss attributable to the owners of the Company during the year	12(a)		
– Basic		**(0.71)**	(0.38)
– Diluted		**N/A**	(0.38)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Loss for the year	**(151,491)**	(91,266)
Other comprehensive income, including reclassification adjustments:		
Exchange differences on translation of financial statements of foreign operations	**1,426**	22,975
Exchange differences realised on disposal and dissolution of subsidiaries	**(1,132)**	(49,073)
Reserve released on disposal of subsidiaries	**(4,246)**	–
Other comprehensive income for the year, including reclassification adjustments, and net of tax	**(3,952)**	(26,098)
Total comprehensive income for the year	**(155,443)**	(117,364)
Attributable to:		
Owners of the Company	**(146,553)**	(104,533)
Minority interests	**(8,890)**	(12,831)
Total comprehensive income for the year	**(155,443)**	(117,364)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**222,594**	127,547
Investment property	15	**11,409**	12,015
Prepaid land lease payments under operating leases	16	**56,316**	57,408
Interest in an associate	18	**–**	–
Available-for-sale financial assets		**324**	324
Goodwill	19	**82,098**	81,789
Deposits	23	**142,199**	141,650
Other intangible assets	20	**65,184**	76,451
Loan to ultimate holding company	30	**1,544,576**	–
		2,124,700	497,184
Current assets			
Financial assets at fair value through profit or loss	21	**102,440**	2,195
Trade receivables	22	**23,004**	26,441
Deposits, prepayments and other receivables	23	**368,860**	299,636
Amount due from ultimate holding company	30	**–**	1,695,351
Cash and cash equivalents	24	**78,654**	103,692
		572,958	2,127,315
Current liabilities			
Trade payables	25	**31,981**	27,804
Other payables and accruals	26	**107,769**	86,020
Deferred revenue		**82,404**	54,731
Provision for tax		**58,988**	45,450
Amount due to ultimate holding company	30	**174,811**	–
Amount due to a director	27	**41,664**	6,157
Amounts due to shareholders	28	**5,006**	5,006
Amount due to a minority shareholder	29	**–**	12,000
Amount due to an associate	31	**5,505**	5,507
Bank borrowings, secured	32	**11,400**	27,935
		519,528	270,610
Net current assets		**53,430**	1,856,705
Total assets less current liabilities		**2,178,130**	2,353,889
Non-current liabilities			
Bank borrowings, secured	32	**19,300**	30,582
		19,300	30,582
Net assets		**2,158,830**	2,323,307

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Share capital	34	**199,145**	199,145
Share premium		**39,194**	39,194
Reserves	36	**1,871,881**	2,018,434
Equity attributable to the Company's owners		**2,110,220**	2,256,773
Minority interests	37	**48,610**	66,534
Total equity		**2,158,830**	2,323,307

Yu Pun Hoi
Director

Chen Dan
Director

STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	**105,738**	105,781
Available-for-sale financial assets		**324**	324
Loan to ultimate holding company	30	**390,972**	–
		497,034	106,105
Current assets			
Amounts due from subsidiaries	17	**946,880**	825,381
Amount due from an associate	31	**15,663**	15,663
Amount due from ultimate holding company	30	**259,732**	1,268,993
Deposits, prepayments and other receivables	23	**974**	641
Cash and cash equivalents	24	**1,096**	1,531
		1,224,345	2,112,209
Current liabilities			
Other payables and accruals		**3,338**	2,603
Provision for tax		**2,641**	1,650
Amounts due to subsidiaries	17	**192,671**	741,833
Amount due to a director	27	**159,999**	210,988
Amounts due to shareholders	28	**5,005**	5,005
		363,654	962,079
Net current assets		**860,691**	1,150,130
Total assets less current liabilities/Net assets		**1,357,725**	1,256,235
EQUITY			
Share capital	34	**199,145**	199,145
Share premium		**39,194**	39,194
Reserves	36	**1,119,386**	1,017,896
Total equity		**1,357,725**	1,256,235

Yu Pun Hoi
Director

Chen Dan
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Loss before income tax			
– from continuing operations		**(134,650)**	(131,709)
– from a discontinued operation		**–**	46,985
Adjustments for:			
Depreciation of property, plant and equipment		**28,425**	30,829
Depreciation of investment property		**649**	643
Operating lease charges on prepaid land lease		**1,308**	1,295
Amortisation of intangible assets		**32,471**	35,071
Gain arising on acquisition of additional interests in subsidiaries		**–**	(9,991)
Gain on disposal and dissolution of subsidiaries	44(a)	**(26,461)**	(67,182)
Loss on disposal of property, plant and equipment		**36**	75
Provision for impairment of receivables		**1,154**	16,269
Bad debt written off		**57**	449
Impairment loss on goodwill		**–**	17,000
Write off of property, plant and equipment		**580**	1,108
Dividend income from financial assets at fair value through profit or loss		**(142)**	(30)
Net fair value (gain)/loss on financial assets at fair value through profit or loss		**(11,204)**	1,779
Bank interest income		**(476)**	(662)
Other interest income		**(116,243)**	(141,499)
Interest expenses		**4,848**	6,257
Operating loss before working capital changes		**(219,648)**	(193,313)
Decrease in amount due to an associate		**(2)**	–
Decrease in trade receivables		**2,837**	22,267
Increase in deposits, prepayments and other receivables		**(71,962)**	(24,401)
Increase in trade payables, other payables and accruals		**33,090**	37,029
Increase in amount due to a director		**41,492**	54,348
Increase in deferred revenue		**27,339**	1,266
Decrease in amount due from ultimate holding company		**213,777**	231,423
Net cash generated from operations		**26,923**	128,619
Net income tax (paid)/refund		**(3,369)**	9,699
Net cash generated from operating activities		**23,554**	138,318

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(123,652)**	(33,711)
Proceeds from disposal of property, plant and equipment		**278**	917
Net cash (outflow)/inflow in respect of disposal and dissolution of subsidiaries	44(a)	**(97)**	54,273
Net cash inflow/(outflow) from acquisition of subsidiaries	44(b)	**117**	(1,807)
Payments to acquire intangible assets		**(20,761)**	(7,492)
Purchase of financial assets at fair value through profit or loss		**(112,336)**	(449)
Dividend income from financial assets at fair value through profit or loss		**142**	30
Proceeds from sale of financial assets at fair value through profit or loss		**23,070**	–
Increase in deposits		**–**	(78,074)
Bank interest received		**476**	662
Other interest received		**65,984**	–
Net cash used in investing activities		**(166,779)**	(65,651)
Cash flows from financing activities			
Proceeds from bank borrowings		**90,796**	–
Repayments of bank borrowings		**(118,715)**	(11,538)
Repayment from ultimate holding company		**150,000**	–
Receipts from/(Repayments to) securities brokers and margin financiers		**656**	(13,866)
Interest paid		**(4,848)**	(5,485)
Net cash generated from/(used in) financing activities		**117,889**	(30,889)
Net (decrease)/increase in cash and cash equivalents		**(25,336)**	41,778
Cash and cash equivalents at 1 January		**103,692**	58,321
Effect of foreign exchange rate changes, on cash held		**298**	3,593
Cash and cash equivalents at 31 December		**78,654**	103,692

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Attributable to owners 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 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
Released on acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(9,991)	(9,991)
Transactions with owners	–	–	–	–	–	–	–	–	–	(9,991)	(9,991)
Loss for the year	–	–	–	–	–	–	–	(76,537)	(76,537)	(14,729)	(91,266)
Other comprehensive income											
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	21,077	–	21,077	1,898	22,975
– Exchange differences realised on disposal and dissolution of subsidiaries	–	–	–	–	–	–	(49,073)	–	(49,073)	–	(49,073)
Total comprehensive income for the year	–	–	–	–	–	–	(27,996)	(76,537)	(104,533)	(12,831)	(117,364)
Released on expiry of share options	–	–	–	–	(3,248)	–	–	3,248	–	–	–
Transfer to general reserve	–	–	–	–	–	19	–	(19)	–	–	–
At 31 December 2008 and 1 January 2009	**199,145**	**39,194**	**2,258**	**52,622**	**–**	**9,477**	**57,000**	**1,897,077**	**2,256,773**	**66,534**	**2,323,307**
Realised on disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,034)**	**(9,034)**
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,034)**	**(9,034)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(142,482)**	**(142,482)**	**(9,009)**	**(151,491)**
Other comprehensive income											
– Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**1,307**	**–**	**1,307**	**119**	**1,426**
– Exchange differences realised on disposal and dissolution of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(1,132)**	**–**	**(1,132)**	**–**	**(1,132)**
– Reserve released on disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(4,246)**	**–**	**–**	**(4,246)**	**–**	**(4,246)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(4,246)**	**175**	**(142,482)**	**(146,553)**	**(8,890)**	**(155,443)**
Transfer to general reserve	**–**	**–**	**–**	**–**	**–**	**654**	**–**	**(654)**	**–**	**–**	**–**
At 31 December 2009	**199,145**	**39,194**	**2,258***	**52,622***	**–***	**5,885***	**57,175***	**1,753,941***	**2,110,220**	**48,610**	**2,158,830**

* These reserve accounts comprise the consolidated reserves of HK$1,871,881,000 (2008: HK$2,018,434,000) in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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 1, 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 31 to 103 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 2009 were approved for issue by the board of directors ("the Board") on 1 April 2010.

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 2009:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

HKAS 1 (Revised 2007) Presentation of Financial Statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or parent company statement of financial position at 1 January 2008 and accordingly the third statement of financial position as at 1 January 2008 is not presented.

HKAS 27 (Amendments) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendment requires the investor to recognise dividends from a subsidiary or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Group recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Group's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

HKFRS 7 (Amendment) Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The amendment requires additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

HKFRS 8 Operating Segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

HK(IFRIC)-Int 13 Customer Loyalty Programmes

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group's current policy for customer loyalty award credits align with the requirements of the interpretation, the adoption of the interpretation has had no impact on the financial position or results of operations of the Group.

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

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

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 pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. 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.

HKFRS 3 Business Combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interests) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

HKFRS 9 Financial Instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interests in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

Annual Improvements to HKFRSs 2009

The HKICPA has issued *Improvements to Hong Kong Financial Reporting Standards 2009*. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 *Leases* to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment.

The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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 adoption of new and amended HKFRSs and impacts on the Group's financial statements, if any, are disclosed in note 2.

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.

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.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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 statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated statement of comprehensive income 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 interests 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 interests 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 statement of financial position in accordance with note 3.16.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

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 3.11.

3.3 Subsidiaries

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.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is 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 statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

3.4 Associate

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, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. 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. 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 the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associate (Continued)

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 profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate or jointly controlled entity for the year, including any impairment loss on the investment in associate recognised for the year.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associates are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. 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.

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.

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 reporting 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 (higher of value in use and fair value less costs to sell) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

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 the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the income statement.

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign currency translation (Continued)

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 reporting 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 recognised in other comprehensive income and accumulated 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 3.9) 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-$^{1}/_{3}$%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Operating lease prepayments and land use right

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 3.22. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

3.8 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.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

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 to 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.

3.9 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.

3.10 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.

Borrowing costs are capitalised as part of the cost of a qualifying assets when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Goodwill

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (note 3.13).

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.

3.12 Other intangible assets and research and development activities

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. Amortisation commences when the computer software is available for use.

Other intangible assets, with finite useful lives, are tested for impairment as described below in note 3.13.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Other intangible assets and research and development activities (Continued)

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.

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.

3.13 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Impairment of non-financial assets (Continued)

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.

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

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

3.14 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. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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)

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.

(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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial assets (Continued)

Impairment of financial assets

At each reporting 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 asset 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;

– 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, national or local economic conditions that correlate with defaults on the assets in the group, and the failure to renegotiate the repayment terms of loans and receivables that would otherwise be past due or impaired.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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 other comprehensive income and accumulated 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 other comprehensive income and accumulated 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 bank borrowings, trade and other payables. They are included in statement of financial position as "Bank borrowings", "Amount due to ultimate holding company", "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.

(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 reporting date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Financial liabilities (Continued)

(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 and fair value of bonus liabilities granted to customers in accordance with the announced bonus point scheme and the Group's past experience on the level of redemption of points. Revenue from prepaid service fees and bonus liabilities are 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 reporting 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 reporting 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.

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 reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of the consideration received or receivable 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;

– 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.

3.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

(a) Financial information services

(b) Corporate IT application services

(c) Distance learning education services

Information about other business activities and operating segments that are not reportable are combined and disclosed in an "Other segments". Other segments include trading of securities and culture and media services.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Segment reporting (Continued)

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm length prices.

The measurement polices the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- Share of results of associate
- Certain bank interest income
- Other interest income
- Gain on disposal and dissolution of subsidiaries
- Gain arising on acquisition of additional interests in subsidiaries
- Income tax expenses
- Corporate income and expenses which are not directly attributable to the business activities or any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but loan to/amount due from ultimate holding company, cash and cash equivalents, interest in an associate and available-for-sale financial assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include provision for tax and amounts due to ultimate holding company/a director/shareholders/a minority shareholder/an associate.

No asymmetrical allocations have been applied to reportable segments.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Leases (Continued)

(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.

Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

(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.

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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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 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 the income statement, which comprises the post-tax profit or loss for the discontinued operation.

3.28 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 are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other operating income" in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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 other 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 intends to derive future economic benefits from the use of the Group's investment property, property, plant and equipment and other intangible assets.

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 3.13. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the Group's accounting policies (Continued)

Current tax and deferred tax (Continued)

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 reporting period. 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 its principal activities as set out below:

	2009 **HK$'000**	2008 HK$'000
Continuing operations		
Corporate IT application services	**402,866**	394,323
Financial information services	**18,340**	22,549
Distance learning education services	**5,798**	7,171
Culture and media services	**–**	14,989
	427,004	439,032

(b) Other operating income:

	2009 **HK$'000**	2008 HK$'000
Continuing operations		
Bank interest income	**476**	662
Other interest income	**116,243**	141,499
Net fair value gain on financial assets at fair value through profit or loss	**11,204**	–
Rental income	**2,837**	4,483
Government grants	**3,610**	2,242
Sundry income	**2,815**	2,834
	137,185	151,720

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

6. SEGMENT INFORMATION

The executive directors have identified the Group's three services lines as the following operating segments as further described in note 3.21.

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

The operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	2009				
	Financial information services HK$'000	Corporate IT application services HK$'000	Distance learning education services HK$'000	Other segments HK$'000	Total HK$'000
Revenue					
From external customers	**18,340**	**402,866**	**5,798**	**–**	**427,004**
From other segments	**–**	**–**	**–**	**–**	**–**
Reportable segment revenue	**18,340**	**402,866**	**5,798**	**–**	**427,004**
Reportable segment results	**(43,276)**	**(212,815)**	**(4,118)**	**11,344**	**(248,865)**
Bank interest income	**5**	**446**	**2**	**–**	**453**
Finance costs	**–**	**(4,847)**	**–**	**(1)**	**(4,848)**
Depreciation and amortisation of non-financial assets	**(631)**	**(61,003)**	**(1,133)**	**–**	**(62,767)**
(Provision)/Reversal for impairment of receivables	**9**	**(1,240)**	**77**	**–**	**(1,154)**
(Loss)/Gain on disposal of property, plant and equipment	**(3)**	**45**	**–**	**–**	**42**
Reportable segment assets	**10,079**	**832,112**	**919**	**102,497**	**945,607**
Additions to non-current segment assets during the year	**211**	**144,279**	**9**	**–**	**144,499**
Reportable segment liabilities	**(21,700)**	**(221,146)**	**(2,400)**	**–**	**(245,246)**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

6. SEGMENT INFORMATION (Continued)

	2008						
	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	Total HK$'000	Property development HK$'000	Total HK$'000
Revenue							
From external customers	22,549	394,323	7,171	14,989	439,032	–	439,032
From other segments	–	33,704	2,415	–	36,119	–	36,119
Reportable segment revenue	22,549	428,027	9,586	14,989	475,151	–	475,151
Reportable segment results	(37,942)	(198,884)	(1,739)	(6,669)	(245,234)	(16)	(245,250)
Bank interest income	14	504	5	1	524	–	524
Finance costs	(14)	(5,471)	–	(772)	(6,257)	–	(6,257)
Depreciation and amortisation of non-financial assets	(799)	(66,330)	(402)	(148)	(67,679)	–	(67,679)
Impairment of goodwill	–	(17,000)	–	–	(17,000)	–	(17,000)
(Provision)/Reversal for impairment of receivables	–	(14,428)	160	–	(14,268)	–	(14,268)
Loss on disposal of property, plant and equipment	–	(75)	–	–	(75)	–	(75)
Reportable segment assets	7,770	677,424	5,732	1,876	692,802	–	692,802
Additions to non-current segment assets during the year	111	40,991	12	738	41,852	–	41,852
Reportable segment liabilities	(21,683)	(190,491)	(2,172)	(6)	(214,352)	–	(214,352)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

6. SEGMENT INFORMATION (Continued)

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the financial statements as follows:

	2009 HK$'000	2008 HK$'000
Reportable segment revenues	**427,004**	475,151
Elimination of inter segment revenues	**–**	(36,119)
Group revenues	**427,004**	439,032
Reportable segment results	**(260,209)**	(238,565)
Other segments results	**11,344**	(6,669)
Discontinued operation	**–**	(16)
Bank interest income	**23**	138
Other interest income	**116,243**	141,499
Depreciation and amortisation	**(284)**	(243)
Gain on disposal and dissolution of subsidiaries	**26,461**	67,182
Gain arising on acquisition of additional interests in subsidiaries	**–**	9,991
Unallocated corporate income	**70**	981
Unallocated corporate expenses	**(28,298)**	(25,318)
Elimination of inter segment profit	**–**	(33,704)
Loss before income tax	**(134,650)**	(84,724)

	2009 HK$'000	2008 HK$'000
Reportable segment assets	**843,110**	690,926
Other segments assets	**102,497**	1,876
Loan to ultimate holding company	**1,544,576**	–
Amount due from ultimate holding company	**–**	1,695,351
Cash and cash equivalents	**2,382**	2,591
Available-for-sale financial assets	**324**	324
Other financial and corporate assets	**204,769**	233,431
Group assets	**2,697,658**	2,624,499
Reportable segment liabilities	**245,246**	214,346
Other segments liabilities	**–**	6
Amount due to ultimate holding company	**174,811**	–
Amount due to a director	**41,664**	6,157
Amounts due to shareholders	**5,006**	5,006
Amount due to a minority shareholder	**–**	12,000
Amount due to an associate	**5,505**	5,507
Provision for tax	**58,988**	45,450
Other corporate liabilities	**7,608**	12,720
Group liabilities	**538,828**	301,192

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

6. SEGMENT INFORMATION (Continued)

The Group's revenues from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	Revenue from external customer		Non-current assets	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Continuing operations				
Hong Kong	**2,561**	171	**45**	165
Mainland China (domicile)	**424,443**	438,861	**579,755**	496,695
Total	**427,004**	439,032	**579,800**	496,860

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets. The Company is an investment holding company incorporated in Hong Kong where the Group has the majority of its operations and workforce in the Mainland China, and therefore, the Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

7. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest charges on:		
Continuing operations		
Bank loans wholly repayable within five years	**4,847**	5,471
Amounts due to securities brokers and margin financiers	**1**	772
Other payables	**–**	14
Total	**4,848**	6,257

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

8. LOSS BEFORE INCOME TAX

	Continuing operations 2009 HK$'000	Continuing operations 2008 HK$'000	Discontinued operation 2008 HK$'000
Loss before income tax is arrived at after charging/ (crediting):			
Auditors' remuneration	**3,240**	2,813	16
Net foreign exchange loss*	**768**	660	–
Gross depreciation of property, plant and equipment – owned assets	**28,623**	30,913	–
Less: Amounts included in cost of provision of corporate IT application services	**(190)**	(158)	–
Amounts included in research and development expenses	**(75)**	(120)	–
Amounts capitalised in intangible assets	**(198)**	(84)	–
Net depreciation of owned assets*	**28,160**	30,551	–
Depreciation of investment property*	**649**	643	–
Gross operating lease charges on land and buildings	**39,034**	41,536	–
Less: Amounts included in cost of provision of corporate IT application services	**(556)**	(804)	–
Amounts included in research and development expenses	**–**	(156)	–
Amounts capitalised in intangible assets	**(846)**	(244)	–
Net operating lease charges on land and buildings	**37,632**	40,332	–
Operating lease charges on prepaid land lease*	**1,308**	1,295	–
Gross retirement benefit contributions	**65,332**	60,483	–
Less: Amounts included in research and development expenses	**–**	(1,797)	–
Amounts capitalised in intangible assets	**(3,514)**	(1,244)	–
Net retirement benefit contributions	**61,818**	57,442	–
Cost of provision of corporate IT application services	**120,788**	115,361	–
Cost of provision of financial information services	**9,774**	10,875	–
Cost of provision of culture and media services	**–**	13,408	–
Cost of inventories sold – distance learning materials	**1,111**	1,279	–
Cost of sales and services provided	**131,673**	140,923	–
Provision for impairment of receivables*	**1,154**	16,269	–
Bad debt written off*	**57**	449	–
Net loss on disposal of property, plant and equipment*	**36**	75	–
Amortisation of intangible assets*	**32,471**	35,071	–
Write-off of property, plant and equipment*	**580**	1,108	–
Net fair value (gain)/loss on financial assets at fair value through profit or loss*	**(11,204)**	1,779	–
Research and development expenses*	**12,999**	10,335	–

* included in other operating expenses

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

9. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
Continuing operations		
Hong Kong Profits Tax		
Current tax expense	**13,599**	12,184
PRC Enterprise Income Tax		
Current tax expense/(credit)	**3,733**	(5,563)
Over-provision in respect of prior years	**(491)**	(79)
	16,841	6,542

For the year ended 31 December 2009, Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (2008: 25%), 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% (2008: 15%).

Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	2009 HK$'000	2008 HK$'000
Loss before income tax		
– from continuing operations	**(134,650)**	(131,709)
– from discontinued operation	**–**	46,985
	(134,650)	(84,724)
Tax calculated at the rates applicable to the jurisdictions concerned	**(24,048)**	(17,743)
Tax effect of expenses that are not deductible in determining taxable profit	**24,126**	26,183
Tax effect of non-taxable revenue	**(6,668)**	(18,098)
Tax effect of current year's tax losses not recognised	**26,440**	30,597
Tax effect of utilisation of tax losses previously not recognised	**(177)**	(4,310)
Tax effect of temporary differences not recognised	**(2,341)**	(46)
Tax refund on reinvestment in a PRC subsidiary	**–**	(9,962)
Over-provision in respect of prior years	**(491)**	(79)
Income tax expense	**16,841**	6,542

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

9. INCOME TAX EXPENSE (Continued)

	2009 HK$'000	2008 HK$'000
Represented by:		
Tax charge attributable to discontinued operation (note 10)	–	–
Tax charge attributable to continuing operations reported in consolidated income statement	16,841	6,542
	16,841	6,542

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
Result		
Administrative expenses		(16)
Loss before income tax	8	(16)
Income tax expense	9	–
Loss for the year		(16)
Gain on disposal of subsidiaries	44(a)	47,001
Profit for the year from discontinued operation		46,985

	2008 HK$'000
Cash flows	
Operating activities	(16)
Investing activities	–
Financing activities	–
Net cash outflow	(16)

11. LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss for the year attributable to the owners of the Company of HK$142,482,000 (2008: HK$76,537,000), a profit of HK$101,490,000 (2008: HK$33,226,000) 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 per share from continuing and discontinued operations is based on the loss for the year attributable to the owners of the Company of HK$142,482,000 (2008: HK$76,537,000) and on 19,914,504,877 (2008: 19,914,504,877) ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

12. (LOSS)/EARNINGS PER SHARE (Continued)

(b) From continuing operations

The basic loss per share from continuing operations attributable to the owners of the Company is calculated based on the following data:

Loss figures are calculated as follows:

	2009 HK$'000	2008 HK$'000
Loss for the year from continuing operations	**(151,491)**	(138,251)
Less: Loss for the year attributable to minority interests from continuing operations	**(9,009)**	(14,729)
	(142,482)	(123,522)

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

(c) From discontinued operation

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

Earnings figures are calculated as follows:

	2009 HK$'000	2008 HK$'000
Profit for the year from discontinued operation	**–**	46,985
Less: Profit for the year attributable to minority interests from discontinued operation	**–**	–
	–	46,985

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

(d) Diluted loss per share for the year ended 31 December 2009 is not presented as there were no potentially dilutive ordinary shares in issue during the year.

The share options have no dilutive effect on the (loss)/earnings per share for the year ended 31 December 2008 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)

	2009 HK$'000	2008 HK$'000
Continuing operations		
Wages and salaries	**351,891**	321,043
Pension costs – defined contribution plans	**65,332**	60,483
Staff welfare	**19,561**	27,921
	436,784	409,447
Less: Amounts capitalised in intangible assets	**(14,896)**	(6,118)
Total employee benefit expenses	**421,888**	403,329

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

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 2008					
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 44 (b))	–	–	565	–	565
Disposals	–	–	(813)	(179)	(992)
Disposal and dissolution of subsidiaries (note 44(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
Year ended 31 December 2009					
Opening net carrying amount	**22,345**	**29,205**	**75,984**	**13**	**127,547**
Additions	**–**	**111,795**	**9,305**	**2,552**	**123,652**
Disposals	**–**	**–**	**(237)**	**(77)**	**(314)**
Depreciation	**(1,207)**	**–**	**(27,113)**	**(303)**	**(28,623)**
Written off	**–**	**–**	**(577)**	**(3)**	**(580)**
Net exchange differences	**81**	**611**	**210**	**10**	**912**
Closing net carrying amount	**21,219**	**141,611**	**57,572**	**2,192**	**222,594**
At 31 December 2009					
Cost	**24,250**	**141,611**	**204,675**	**3,071**	**373,607**
Accumulated depreciation	**(3,031)**	**–**	**(147,103)**	**(879)**	**(151,013)**
Net carrying amount	**21,219**	**141,611**	**57,572**	**2,192**	**222,594**

Certain Group's buildings were charged to secure banking facilities as detailed in note 42.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2008			
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	–	–	–
Year ended 31 December 2009			
Opening net carrying amount	**–**	**–**	**–**
Disposal	**–**	**–**	**–**
Depreciation	**–**	**–**	**–**
Closing net carrying amount	**–**	**–**	**–**
At 31 December 2009			
Cost	**436**	**–**	**436**
Accumulated depreciation	**(436)**	**–**	**(436)**
Net carrying amount	**–**	**–**	**–**

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15. INVESTMENT PROPERTY

	Group 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
Year ended 31 December 2009	
Opening net carrying amount	**12,015**
Depreciation	**(649)**
Net exchange differences	**43**
Closing net carrying amount	**11,409**
At 31 December 2009	
Cost	**13,039**
Accumulated depreciation	**(1,630)**
Net carrying amount	**11,409**

The fair value of the Group's investment property as at 31 December 2009 of approximately HK$41,236,000 (2008: 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.

As at 31 December 2009, no investment property was charged to secure banking facilities.

As at 31 December 2008, the Group's investment property was charged to secure banking facilities as detailed in note 42.

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for the year ended 31 December 2009

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	
	2009	2008
	HK$'000	HK$'000
Opening net carrying amount	**57,408**	55,212
Annual charges of prepaid operating lease payments	**(1,308)**	(1,295)
Net exchange differences	**216**	3,491
Closing net carrying amount	**56,316**	57,408

Certain Group's prepaid land lease payments under operating leases have been pledged to secure the banking facilities granted to the Group (note 42).

17. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**411,029**	414,948
Less: Provision for impairment losses	**(305,291)**	(309,167)
	105,738	105,781
Amounts due from subsidiaries	**1,593,138**	2,100,249
Less: Provision for impairment of receivables	**(646,258)**	(1,274,868)
	946,880	825,381
Amounts due to subsidiaries	**192,671**	741,833

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

17. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries at 31 December 2009 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	–	92	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
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	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
北京紅旗貳仟軟件技術有限公司 (note c)	PRC	RMB98,000,000	–	87	Information technology business
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	Information technology business
北京新網數碼信息技術有限公司 (note b)	PRC	RMB10,000,000	–	100	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.

NOTES TO THE FINANCIAL STATEMENTS

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17. INTERESTS IN SUBSIDIARIES (Continued)

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	
	2009	2008
	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	**–**	–

Particulars of the associate as at 31 December 2009 are as follows:

Name	Particulars of issued shares capital	Place of incorporation and operations	Percentage of interest held by the Company Directly	Percentage of interest held by the Company Indirectly	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:

	2009	2008
	HK$'000	HK$'000
Assets	**25,702**	25,702
Liabilities	**(34,174)**	(33,389)
Loss for the year	**(785)**	(788)

The Group has discontinued recognition of its share of loss of the associate. The amount of unrecognised share of loss of the associate for the year and cumulatively amounted to HK$393,000 (2008: HK$394,000) and HK$4,236,000 (2008: HK$3,843,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

19. GOODWILL

		Group	
		2009	2008
	Note	**HK$'000**	HK'000
At 1 January			
Gross carrying amount		**388,589**	347,324
Accumulated impairment		**(306,800)**	(289,800)
Net carrying amount		**81,789**	57,524
Year ended 31 December			
Opening net carrying amount		**81,789**	57,524
Acquisition of subsidiaries	44(b)	**127**	39,991
Impairment losses		**–**	(17,000)
Net exchange differences		**182**	1,274
Closing net carrying amount		**82,098**	81,789
At 31 December			
Gross carrying amount		**388,963**	388,589
Accumulated impairment		**(306,865)**	(306,800)
Net carrying amount		**82,098**	81,789

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

	2009	2008
	HK$'000	HK'000
Corporate IT application services	**82,098**	81,789

The recoverable amounts for the CGU given above were determined based on value-in-use calculations, covering a detailed five-year financial budget, 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	
	2009	2008
Discount rates	**7%**	8%
Growth rate used to extrapolate cashflows beyond the budgeted period	**3%**	3%

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

19. GOODWILL (Continued)

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

During the years ended 31 December 2009 and 31 December 2008, goodwill arose from acquisition of subsidiaries as stated in note 44(b), which are engaged in software development and information technology business. The goodwill is attributable to the expanding corporate IT application services and the capture of business opportunities.

For the year ended 31 December 2008, an impairment loss of HK$17,000,000 regarding goodwill in relation to CGU engaging in corporate IT application services 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 2008			
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
Year ended 31 December 2009			
Opening net carrying amount	**59,735**	**16,716**	**76,451**
Additions	**34**	**20,925**	**20,959**
Amortisation charge for the year	**(28,951)**	**(3,520)**	**(32,471)**
Net exchange differences	**103**	**142**	**245**
Closing net carrying amount	**30,921**	**34,263**	**65,184**
At 31 December 2009			
Cost	**142,956**	**41,007**	**183,963**
Accumulated amortisation	**(112,035)**	**(6,744)**	**(118,779)**
Net carrying amount	**30,921**	**34,263**	**65,184**

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for the year ended 31 December 2009

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at market value	**2,193**	1,819
Equity securities listed in PRC, at market value	**100,247**	376
Fair value of listed securities	**102,440**	2,195

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.

22. TRADE RECEIVABLES

Trade receivables are due on presentation of invoices. Based on the invoice dates, the aging analysis of the trade receivables is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**5,448**	7,548
91 – 180 days	**1,475**	1,645
181 – 270 days	**879**	1,268
271 – 360 days	**884**	920
Over 360 days	**24,432**	24,566
Trade receivables, gross	**33,118**	35,947
Less: Provision for impairment of receivables	**(10,114)**	(9,506)
Trade receivables, net	**23,004**	26,441

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

22. 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	
	2009	2008
	HK$'000	HK$'000
At the beginning of the year	**9,506**	28,279
Provision for impairment	**1,154**	878
Amounts written off during the year	**(586)**	(21,190)
Net exchange differences	**40**	1,539
At the end of the year	**10,114**	9,506

At each of the reporting date, the Group's trade receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain trade receivables and appropriate provision for impairment has been made against these trade receivables. The individually impaired receivables are recognised based on the credit history of the customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised.

The Group does not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

Aging analysis of trade receivables that are past due at the reporting date but not impaired, based on due date is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
1 – 90 days past due	**5,448**	7,548
91 – 180 days past due	**1,475**	1,645
181 – 270 days past due	**879**	1,268
271 – 360 days past due	**884**	920
Overdue for more than 360 days	**14,318**	15,060
	23,004	26,441

As at 31 December 2009 and 31 December 2008, no trade receivables were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

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 in respect of trade receivables past due but not impaired.

The directors of the Group consider that the fair value of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits and prepayments	**156,978**	156,637	**380**	–
Outstanding consideration receivable arising from the disposal of a subsidiary	**72,913**	124,459	**–**	–
Others	**305,047**	188,778	**3,634**	4,363
	534,938	469,874	**4,014**	4,363
Less: Provision for impairment of other receivables	**(23,879)**	(28,588)	**(3,040)**	(3,722)
	511,059	441,286	**974**	641
Less non-current portion:				
Deposits for purchase of intangible assets	**(142,199)**	(141,650)	**–**	–
	(142,199)	(141,650)	**–**	–
Current portion	**368,860**	299,636	**974**	641

The outstanding consideration receivable arising from the disposal of a subsidiary was unsecured, bore interest at the rate 5% per annum and repayable on 24 September 2009. On 25 September 2009, a supplemental agreement was entered into between the Group and the debtor to extend the repayment period of outstanding consideration receivable to 24 September 2010.

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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**28,588**	18,177	**3,722**	3,722
Provision for impairment	**–**	15,391	**–**	–
Amounts written off during the year	**(4,785)**	(5,738)	**(682)**	–
Net exchange differences	**76**	758	**–**	–
At the end of the year	**23,879**	28,588	**3,040**	3,722

At each of the reporting date, 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.

The directors of the Group consider that the fair value of other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

NOTES TO THE FINANCIAL STATEMENTS

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24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank and cash balances	**78,654**	103,692	**1,096**	1,531

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

At 31 December 2009, the Group had cash and cash equivalents denominated in Renminbi ("RMB") amounting to approximately HK$75,841,000 (2008: HK$66,103,000), 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 2009 and 31 December 2008.

25. TRADE PAYABLES

Based on invoice dates, the aging analysis of the trade payables is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**6,045**	11,410
91 – 180 days	**4,234**	6,670
181 – 270 days	**13,041**	1,549
271 – 360 days	**148**	1,039
Over 360 days	**8,513**	7,136
	31,981	27,804

All amounts are short term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of fair value.

26. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals at 31 December 2009 were amounts of HK$Nil (2008: HK$6,000 bore interest at the rate of 8.25% per annum) due to certain securities brokers and margin financiers. As at 31 December 2008, the amounts due to securities brokers and margin financiers was secured by financial assets at fair value through profit or loss of HK$1,819,000 and shares in Nan Hai held by certain shareholders of Nan Hai who agreed to pledge their interests in Nan Hai (note 42).

Included in other payables and accruals at 31 December 2009 was HK$25,431,000 (2008: HK$18,814,000) 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 is recognised when those conditions are fulfilled.

All amounts are short term and hence the carrying values of the Group's and the Company's other payables and accruals are considered to be a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

27. AMOUNT DUE TO A DIRECTOR

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

28. AMOUNTS DUE TO SHAREHOLDERS

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

29. AMOUNT DUE TO A MINORITY SHAREHOLDER

At 31 December 2008, the amount due to a minority shareholder represents dividends payable to a minority shareholder of a subsidiary which was unsecured, interest-free and repayable on demand.

30. LOAN TO/AMOUNT DUE FROM/(TO) ULTIMATE HOLDING COMPANY

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current assets				
Loan to ultimate holding company	**1,544,576**	–	**390,972**	–
Current assets				
Amount due from ultimate holding company	**–**	1,695,351	**259,732**	1,268,993
Current liabilities				
Amount due to ultimate holding company	**(174,811)**	–	**–**	–

Loan to ultimate holding company

Group and Company

On 29 May 2009, the Company and the Group entered into loan agreement with its ultimate holding company to advance a loan of HK$1,645,530,000, which bears interest at 6% per annum, is repayable on or before 29 June 2011 and is secured by share mortgage of a fellow subsidiary.

As at 31 December 2009, included in the balances of the Company and the Group, approximately HK$379,584,000 and HK$1,499,588,000 respectively bears interest at 6% per annum, and the remaining balances is interest-free. The total amount is repayable on or before 29 June 2011 and is secured by share mortgage of a fellow subsidiary.

Amount due from/(to) ultimate holding company

Group

As at 31 December 2008, included in the total amount due from ultimate holding company, HK$1,649,588,000 was secured by share mortgage of a fellow subsidiary, bore interest at 8% per annum and would be repayable on or before 30 June 2009 or any other date to be mutually agreed. During the year, the ultimate holding company extended the loan by entering into another loan agreement as described in "Loan to ultimate holding company". The remaining balance due from ultimate holding company is unsecured, interest-free and repayable on demand.

As at 31 December 2009, the amount due to ultimate holding company is unsecured, interest-free and repayable on demand.

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30. LOAN TO/AMOUNT DUE FROM/(TO) ULTIMATE HOLDING COMPANY (Continued)

Amount due from/(to) ultimate holding company (Continued)

Company

As at 31 December 2008, included in the amount due from ultimate holding company HK$529,584,000 was secured by share mortgage of a fellow subsidiary, bore interest at 8% per annum and would be repayable on or before 30 June 2009 or any other date to be mutually agreed. During the year, the ultimate holding company extended the loan by entering into another loan agreement as described in "Loan to ultimate holding company". The remaining balance due from ultimate holding company is unsecured, interest-free and repayable on demand.

As at 31 December 2009, the amount due from ultimate holding company is unsecured, interest-free and repayable on demand.

31. AMOUNT DUE FROM/(TO) AN ASSOCIATE

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Amount due from an associate	**–**	–	**20,198**	20,198
Less: Provision for impairment of receivables	**–**	–	**(4,535)**	(4,535)
	–	–	**15,663**	15,663
Amount due to an associate	**5,505**	5,507	**–**	–

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

32. BANK BORROWINGS, SECURED

At 31 December 2009, the bank borrowings, which are denominated in RMB, were repayable as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Within one year	**11,400**	27,935
In the second years	**11,400**	11,356
In the third to fifth years	**7,900**	19,226
Wholly repayable within five years	**30,700**	58,517
Less: Portion due within one year under current liabilities	**(11,400)**	(27,935)
Portion due over one year under non-current liabilities	**19,300**	30,582

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32. BANK BORROWINGS, SECURED (Continued)

At 31 December 2009, the bank borrowings' interest rate profiles are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Floating rates		
– 6.34% (2008: 8.51%) per annum	**30,700**	41,938
Floating rates		
– 6.24% (2008: 6.24%) per annum	**–**	16,579
	30,700	58,517

The carrying amounts of the borrowings approximate their fair value.

33. DEFERRED TAX

At 31 December 2009, 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$5,555,000 and HK$313,206,000 (2008: HK$31,618,000 and HK$191,316,000) respectively. The amount of unrecognised deferred tax assets are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of:				
– unused tax losses	**72,824**	48,316	**–**	–
	72,824	48,316	**–**	–

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, while tax losses of the companies within the Group operating in Hong Kong can be carried forward indefinitely under the current tax legislation.

34. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	**HK$'000**
Authorised:		
At 1 January 2008, 31 December 2008 and **31 December 2009**	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and **31 December 2009**	19,914,504,877	199,145

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35. SHARE OPTION SCHEME

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

On 12 November 2004, share options to subscribe for a total of 233,360,000 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:

	2009		2008	
	Number	**Weighted average exercise price (HK$)**	Number	Weighted average exercise price (HK$)
Outstanding at 1 January	–	–	67,550,000	0.16
Expired	–	–	(67,550,000)	0.16
Outstanding at 31 December	–	–	–	–
Exercisable at 31 December	–	–	–	–

At the reporting date, all share options were expired. No additional options were granted during the years ended 31 December 2009 and 2008. 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 2009 (2008: HK$Nil). No liabilities were recognised due to share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

36. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the financial statements.

Notes:

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

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

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

Company

	Capital redemption reserve HK$'000	Share option reserve HK$'000	General reserve (note a) HK$'000	Retained profits (note b) HK$'000	Total HK$'000
At 1 January 2008	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 and 1 January 2009	**2,258**	**–**	**79,579**	**936,059**	**1,017,896**
Profit for the year	**–**	**–**	**–**	**101,490**	**101,490**
At 31 December 2009	**2,258**	**–**	**79,579**	**1,037,549**	**1,119,386**

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$79,611,000 (2008: approximately HK$79,591,000) 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.

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for the year ended 31 December 2009

37. MINORITY INTERESTS

	Note	2009 HK$'000	2008 HK$'000
At 1 January		**66,534**	89,356
Loss for the year		**(9,009)**	(14,729)
Released on disposal of subsidiaries	44(a)	**(9,034)**	–
Released on acquisition of additional interests in subsidiaries		**–**	(9,991)
Net exchange differences		**119**	1,898
As at 31 December		**48,610**	66,534

38. OPERATING LEASE ARRANGEMENTS

(a) At 31 December 2009, the Group and Company's total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within one year	**23,252**	25,016	**113**	–
In the second to fifth years	**8,699**	7,014	**97**	–
	31,951	32,030	**210**	–

The Group leases a number of properties under operating leases. The leases of the Group and the Company run for an initial period of one to three years (2008: one to three years) and two years (2008: Nil) respectively, with options to renew the lease terms at the expiry dates or at dates as mutually agreed between certain subsidiaries of the Group, the Company and the respective landlords. None of the leases includes any contingent rentals.

(b) At 31 December 2009, the Group's total future minimum lease receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Within one year	**3,800**	3,786
In the second to fifth years	**4,750**	8,518
	8,550	12,304

The Group leases its investment property (note 15) under operating lease arrangements which run for an initial period of three years (2008: three to five 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 2009 and 31 December 2008, the Company had no outstanding operating lease arrangements as a lessor.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

39. CAPITAL COMMITMENTS

At 31 December 2009, the Group had outstanding capital commitments as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Contracted but not provided for in respect of:		
– construction-in-progress	**177,358**	197,875
	177,358	197,875

At 31 December 2009 and 31 December 2008, the Company had no outstanding capital commitments.

40. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Share-based compensations HK$'000	Total HK$'000
Year ended 31 December 2009					
Executive directors					
YU Pun Hoi	–	1,840	2	–	1,842
CHEN Dan	–	818	61	–	879
LIU Rong#	–	–	–	–	–
WANG Gang#	–	–	–	–	–
Non-executive directors					
QIN Tian Xiang*	66	–	–	–	66
LUO Ning	–	–	–	–	–
LAM Bing Kwan	–	–	–	–	–
Independent non-executive directors					
HUANG Yaowen	159	–	–	–	159
Prof. JIANG Ping	159	–	–	–	159
FUNG Wing Lap	120	–	–	–	120
	504	2,658	63	–	3,225

\# Appointed as executive directors with effect from 10 March 2009.

* Re-designated as non-executive director with effect from 12 June 2009.

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for the year ended 31 December 2009

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

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

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Share-based compensations HK$'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 (retired on 26 May 2008)	66	–	–	–	66
FUNG Wing Lap	120	–	–	–	120
	456	851	–	–	1,307

(b) Five highest paid individuals

The five highest paid individuals of the Group for the year included two directors (2008: one), details of whose emoluments are set out above. The emoluments of the remaining three (2008: four) employees are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries and housing allowances	**1,998**	3,135
Pension scheme contributions	**24**	36
	2,022	3,171

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

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

(b) Five highest paid individuals (Continued)

The emoluments of these employees were within the following bands:

Emolument bands	Number of individuals	
	2009	2008
HK$Nil – HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**–**	1
	3	4

(c) During the years ended 31 December 2009 and 31 December 2008, 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 2009 and 31 December 2008.

41. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
A subsidiary	**–**	–	**30,700**	41,938
An associate (note)	**13,197**	12,412	**13,197**	12,412
Third parties (note)	**65,370**	65,333	**65,370**	65,333
	78,567	77,745	**109,267**	119,683

Note:

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

In addition to the EPCIB Guarantee, the Company executed another guarantee in favour of Singapore Branch of Industrial and Commercial Bank of China ("ICBC") in respect of a loan facility of US$15,000,000 ("ICBC Loan") made available to Acesite Phils. in March 1995. Resulting from the purported foreclosure of the Philippines Shares, Acesite Phils. is now 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

42. CREDIT FACILITIES

As at 31 December 2009 and 31 December 2008, 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$23,990,000 (2008: HK$57,408,000);

(b) charge over buildings with a net carrying value of approximately HK$18,435,000 (2008: HK$22,345,000);

(c) charge over investment property with a net carrying value of approximately HK$Nil (2008: HK$12,015,000); and

(d) charge over financial assets at fair value through profit or loss with a net carrying value of approximately HK$2,193,000 (2008: HK$1,819,000).

In addition, as at 31 December 2008, certain shareholders of Nan Hai had pledged their shareholdings in Nan Hai for the Group's credit facilities.

43. 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 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.

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for the year ended 31 December 2009

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal and dissolution of subsidiaries

	2009 HK$'000	2008 HK$'000
Net assets disposed of:		
Property, plant and equipment	–	2,036
Inventories	–	329,855
Trade receivables	6	56
Deposits, prepayments and other receivables	24	56,008
Cash and cash equivalents	97	80
Minority interests (note 37)	(9,034)	–
Trade payables	–	(2,155)
Other payables and accruals	(176)	(10,291)
Amounts due to group companies	–	(115,403)
Amount due to a director	–	(70,655)
Amount due to a minority shareholder	(12,000)	–
	(21,083)	189,531
Exchange reserve realised on disposal and dissolution	(1,132)	(49,073)
General reserve released on disposal and dissolution	(4,246)	–
Net gain on disposal and dissolution of subsidiaries	26,461	67,182
	–	207,640
Satisfied by:		
Cash	–	54,353
Consideration receivable included in other receivables	–	153,287
	–	207,640

Included in total of net gain on disposal and dissolution of subsidiaries, HK$Nil (2008: HK$47,001,000) and HK$26,461,000 (2008: HK$20,181,000) was related to gain on disposal and dissolution of subsidiaries from discontinued operation (note 10) and continuing operations respectively.

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

	2009 HK$'000	2008 HK$'000
Cash and cash equivalents	(97)	(80)
Cash consideration	–	54,353
	(97)	54,273

The subsidiaries disposed of consumed HK$43,000, HK$Nil and HK$Nil (2008: HK$12,936,000, HK$546,000 and HK$Nil) of the Group's cash flows relating to operating, investing and financing activities respectively during the year ended 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Business combination

In January 2009, the Group, through its subsidiary, entered into sales and purchases agreements to acquire 100% equity interest in a subsidiary for consideration of RMB10,000,000.

For the year ended 31 December 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$351,000 (2008: HK$15,000) to the Group's turnover and HK$3,988,000 (2008: HK$7,304,000) to the consolidated loss for the years ended 31 December 2009 and 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$427,004,000 (2008: HK$439,081,000) and HK$151,491,000 (2008: HK$113,361,000) respectively.

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

	2009 HK$'000	2008 HK$'000
Cash consideration	11,356	3,212
Fair value of net (assets acquired)/liabilities assumed	(11,229)	36,779
Goodwill (note 19)	127	39,991

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

	2009 HK$'000	2008 HK$'000
Property, plant and equipment	–	565
Deposits, prepayments and other receivables	23,630	512
Cash and cash equivalents	117	149
Accruals and other payables	(12,518)	(38,005)
Net assets acquired/(liabilities assumed)	11,229	(36,779)

The acquirees' carrying values of net assets acquired/liabilities assumed at the dates 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Business combination (Continued)

The net cash (inflows)/outflows arising from the acquisitions are as follows:

	2009 HK$'000	2008 HK$'000
Purchase considerations		
– Cash considerations	**11,356**	3,212
– Offset with other receivables	**(11,242)**	–
– Consideration payables	**(114)**	(1,256)
Settled in cash	**–**	1,956
Cash and cash equivalents in subsidiaries acquired	**(117)**	(149)
Cash (inflows)/outflows on acquisitions	**(117)**	1,807

(c) Major non-cash transactions

During the year ended 31 December 2009, the Group had the following major non-cash transactions:

(i) The trade and other receivables of HK$5,985,000 (2008: 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$Nil (2008: 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$Nil (2008: 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$Nil (2008: HK$69,571,000) was offset against other payable in accordance with the debts assignment signed among these parties.

45. RETIREMENT BENEFIT PLANS

Defined contribution retirement plans

The Group operates a MPF scheme and an ORSO scheme for all qualifying employees in Hong Kong. The assets of the 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$61,818,000 (2008: HK$59,239,000) 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 2009 and 2008.

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46. RELATED PARTY TRANSACTIONS

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

Included in other interest income of HK$116,243,000 (2008: HK$141,499,000), HK$110,971,000 (2008: HK$131,967,000) was interest income from ultimate holding company.

For the year ended 31 December 2008, a group of subsidiaries was disposed of to the ultimate holding company with the gain on disposal of subsidiaries of HK$12,270,000.

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

47. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The Treasury Department works under the policies approved by the Board. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the Board.

47.1 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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.

The polices to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

47.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 32 and 24 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.

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for the year ended 31 December 2009

47. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

47.2 Interest rate risk (Continued)

Interest rate sensitivity

At 31 December 2009, 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 (loss)/profit after tax for the year and retained earnings to a change in interest rates of +1% and –1% (2008: +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 reporting date. All other variables are held constant.

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
If interest rates were 1% (2008: 1%) higher				
Decrease/Increase in (loss)/profit for the year	**474**	442	**11**	15
If interest rates were 1% (2008: 1%) lower				
Increase/Decrease in (loss)/profit for the year	**(474)**	(442)	**(11)**	(15)

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

47.3 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than change in interest rates and foreign exchange rate). The Group is exposed to change in market prices in respect of its investments in listed equity securities classified as financial assets at fair value through profit and loss.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Board. The Group's listed investments are listed on the Stock Exchange of Hong Kong, Shenzhen and Shanghai, Mainland China. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index and other industry indicators, as well as the Group's liquidity needs. Investments held in the available for sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

Equity price sensitivity

For listed equity securities, an average volatility of 23% has been observed in 2009 (2008: 33%). If the quoted price for the Group's listed equity securities existing as at 31 December 2009 increased or decreased by that amount, loss for the year and retained earnings would have decreased/increased and increased/decreased respectively by HK$23,459,000 (2008: HK$724,000) in respect of listed equity securities classified as held for trading.

The assumed volatilities of listed securities represent management's assessment of a reasonably possible change in these security prices over the next twelve months period.

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47. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

47.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharges its obligation under the terms of the financial instrument and cause a financial loss to the Group. As at 31 December 2009, 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 statement of financial position; and

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

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables regularly at each reporting 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 22 and 23 respectively.

47.5 Liquidity risk

As at 31 December 2009, the Group had net current assets of HK$53,430,000 and net assets of HK$2,158,830,000. The management considered the liquidity risk to be minimal.

The Group manages its liquidity needs by carefully monitoring expected payments for potential investment as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long term liquidity needs for a 360-day lookout period are identify monthly.

The Group maintains mainly cash to meet its liquidity requirements, funding for long-term liquidity needs will be considered when there is any potential investment identified.

The following table details the remaining contractual maturities at the reporting date 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 reporting date) and the earliest date the Group and the Company can be required to pay:

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47. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

47.5 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 2009					
Trade payables	**31,981**	**31,981**	**31,981**	**–**	**–**
Other payables and accruals	**107,769**	**107,769**	**107,769**	**–**	**–**
Amount due to ultimate holding company	**174,811**	**174,811**	**174,811**	**–**	**–**
Amount due to a director	**41,664**	**41,664**	**41,664**	**–**	**–**
Amounts due to shareholders	**5,006**	**5,006**	**5,006**	**–**	**–**
Amount due to an associate	**5,505**	**5,505**	**5,505**	**–**	**–**
Bank borrowings	**30,700**	**35,522**	**13,345**	**14,067**	**8,110**
	397,436	**402,258**	**380,081**	**14,067**	**8,110**
Financial guarantees issued					
Maximum amount guaranteed	**–**	**78,567**	**78,567**	**–**	**–**
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
Financial guarantees issued					
Maximum amount guaranteed	–	77,745	77,745	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

47. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

47.5 Liquidity risk (Continued)

Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within one year HK$'000
As at 31 December 2009			
Other payables and accruals	**3,338**	**3,338**	**3,338**
Amounts due to subsidiaries	**192,671**	**192,671**	**192,671**
Amount due to a director	**159,999**	**159,999**	**159,999**
Amounts due to shareholders	**5,005**	**5,005**	**5,005**
	361,013	**361,013**	**361,013**
Financial guarantees issued			
Maximum amount guaranteed	**–**	**109,267**	**109,267**
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
Financial guarantees issued			
Maximum amount guaranteed	–	119,683	119,683

47.6 Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are in short-term nature: cash and cash equivalents, 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 32 to the financial statements.

The Group adopted the amendments to HKFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparative for the hierarchy for fair value measurement disclosures have been presented.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

47. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

47.6 Fair value (Continued)

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

– Level 1: quoted price (unadjusted) in active markets for identical assets and liabilities

– Level 2: inputs other than quoted prices included within Level 1 that are observable of the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirely is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Available-for-sale financial assets	**–**	**324**	**–**	**324**
Listed securities held for trading	**102,440**	**–**	**–**	**102,440**
Total fair values	**102,440**	**324**	**–**	**102,764**

There have been no significant transfers between level 1 and 2 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are uncharged compared to the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

47. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

47.7 Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at the reporting date 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	
	2009	2008	**2009**	2008
	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	**102,440**	2,195	**–**	–
Loans and receivables:				
Non current assets				
Loan to ultimate holding company	**1,544,576**	–	**390,972**	–
Current assets				
Trade receivables	**23,004**	26,441	**–**	–
Other receivables	**356,396**	284,649	**740**	641
Amount due from ultimate holding company	**–**	1,695,351	**259,732**	1,268,993
Amounts due from subsidiaries	**–**	–	**946,880**	825,381
Amount due from an associate	**–**	–	**15,663**	15,663
Cash and cash equivalents	**78,654**	103,692	**1,096**	1,531
	2,105,394	2,112,652	**1,615,407**	2,112,533
Financial liabilities				
Financial liabilities measured at amortised cost:				
Trade payables	**31,981**	27,804	**–**	–
Other payables and accruals	**107,769**	86,020	**3,338**	2,603
Amount due to ultimate holding company	**174,811**	–	**–**	–
Amount due to a director	**41,664**	6,157	**159,999**	210,988
Amounts due to subsidiaries	**–**	–	**192,671**	741,833
Amounts due to shareholders	**5,006**	5,006	**5,005**	5,005
Amount due to a minority shareholder	**–**	12,000	**–**	–
Amount due to an associate	**5,505**	5,507	**–**	–
Bank borrowings	**30,700**	58,517	**–**	–
	397,436	201,011	**361,013**	960,429

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

48. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The primary objective of the Group's capital management is to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and make adjustments in light of changes in economic conditions. 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 years ended 31 December 2009 and 31 December 2008.

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 statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting date were as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Bank borrowings	**11,400**	27,935	**–**	–
Non-current liabilities				
Bank borrowings	**19,300**	30,582	**–**	–
Total debt	**30,700**	58,517	**–**	–
Less: Cash and cash equivalents	**(78,654)**	(103,692)	**(1,096)**	(1,531)
Net debt	**(47,954)**	(45,175)	**(1,096)**	(1,531)
Total equity	**2,158,830**	2,323,307	**1,357,725**	1,256,235
Total equity plus net debt	**2,110,876**	2,278,132	**1,356,629**	1,254,704
Gearing ratio	**N/A**	N/A	**N/A**	N/A

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 2009 HK$'000	Year ended 31 December 2008 HK$'000	Year ended 31 December 2007 HK$'000	Year ended 31 December 2006 HK$'000	Year ended 31 December 2005 HK$'000
Revenue/Turnover	**427,004**	439,032	666,109	619,273	496,249
(Loss)/Profit for the year	**(151,491)**	(91,266)	692,765	(183,518)	270,159
Minority interests	**9,009**	14,729	(2,965)	(16,745)	(6,143)
(Loss)/Profit attributable to the owners of the Company	**(142,482)**	(76,537)	689,800	(200,263)	264,016
Total assets	**2,697,658**	2,624,499	2,796,543	2,177,009	2,276,691
Total liabilities	**(538,828)**	(301,192)	(345,881)	(353,687)	(309,827)
	2,158,830	2,323,307	2,450,662	1,823,322	1,966,864

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