2010

中國數碼信息有限公司

ANNUAL REPORT 二零一零年度年報

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

AUDITOR

BDO Limited
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

K&L Gates

REGISTERED OFFICE

Units 15-18, 36/F.,
China Merchants Tower, Shun Tak Centre
168-200 Connaught 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

The net loss attributable to the owners of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 was approximately HK$79,857,000. That the overall performance of the Group was not satisfactory. However, I hope that the shareholders can also recognise the fact that, with the growth of sales income of the corporate IT application services, the core business of the Group, the gross profit has been improved significantly. The improvement was primarily attributable to the increased income from sales of its self-developed products. Meanwhile, the Group keeps on following its strategies of continued investment in technologies and R&D. Before the investment in R&D generates its returns from the market, this cost pressure inevitably leads the Group to remaining in a loss-suffering position. However, such investment in R&D will become an effective force to support the Group's future expansion and development.

I. CORPORATE IT APPLICATION SERVICES

During the year 2010, the Group has continued to focus on provision of corporate IT application services for facilitating its corporate clients in China for their informatization.

The Group is of the view that e-commerce is the key to achieving informatization for enterprises, and strongly believes that it has unlimited room for development in China. Therefore, the Group has been increasing its investment in the research and the technological development for relevant products as well as optimizing and adjusting the structure of the products mix over the years to meet the needs of these enterprises.

In the past few years, e-commerce gained more awareness in the market. Despite e-commerce was becoming popular, its overall usage remained low. Recently, e-commerce market in China has emerged certain new and prominent changes which indicate that e-commerce market in China has been in a stage of substantial application and development.

《2010年度中國電子商務市場數據監測報告》by China E-Commerce Research Center (中國電子商務研究中心) has indicated that, as at December 2010, the transaction volume of the e-commerce market in China was over RMB4,500 billion, representing a year-on-year increase of 22%. Of which, the users of online retail sales has reached 158 million with an online retail market transaction size of RMB513.1 billion, representing an year-on-year increase of 97.3% and accounted for approximately 3% of the social commodity retail sales for the year. It is expected that it will exceed RMB1,000 billion for the first time within the next couple of years, accounted for approximately over 5% of the total social commodity retail sales for the year. For the next five years, about half of over 30 million SMEs in China would try or use e-commerce tools in their operations.

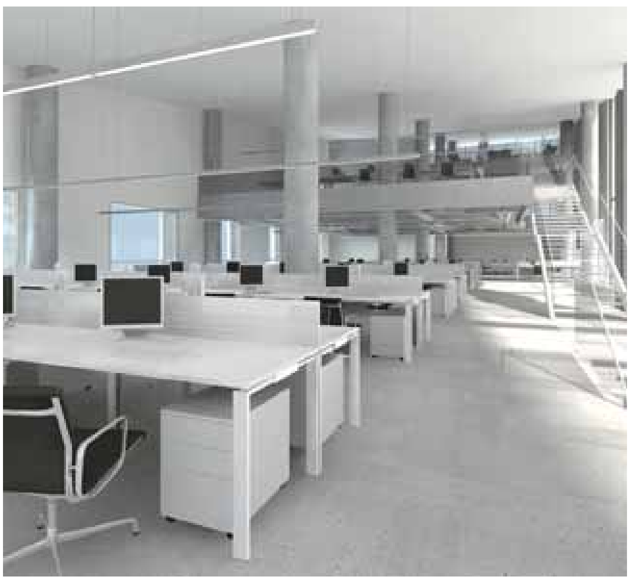
The Group has also benefited from changes in the e-commerce market over the last year. The subsidiaries of the Company, namely 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet"), whose relevant businesses have achieved a greater growth. Such changes were partially due to the positive impacts from the growing market, and more aroused from the Group's successful sales and market strategy and adjustment of its product mix.

CHAIRMAN'S STATEMENT

During the year 2010, in terms of the technology R&D and technical operations, the Group has continued to devote great resources. Major improvements have also been made in those technical areas including cloud computing and cloud storage platform, distributed file management system, virtual computing, storage virtualization, cloud operating system, distributed middleware and database cluster. Further improvement has also been made in regard of the user experience and integrated application, which in turn would enhance the competitiveness of the products and services.

II. FINANCIAL INFORMATION SERVICES

During the year 2010, on the basis of strengthening the position as a domestic prestigious provider of financial information, 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, has been enhancing the data coverage and data analysis functions of the core terminal products, better fulfilling the demands for professional financial information services by the financial institutions in China. For the year ahead, Shihua will continue its efforts on developing the professional financial information terminal products, speeding up the enhancement of the core competitiveness of the products and strengthening its superior position in the financial information market.



III. DISTANCE LEARNING EDUCATION SERVICES

During the year of 2010, 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, has successfully turned around its loss position because of introduction of new training programmes in accounting, which led to a rapid increase in the number of members and successfully turned around its loss position. In the year ahead, Chinese Dadi will enhance the development of group learning market while it is focusing on the private learning market so as to further improve the product lines and enhance its profitability.

IV. CONCLUSION

Over the past year, the Group has further improved the corporate governance framework and established a more effective operations and management strategic mechanism, making significant decisions in a more standardized and systematic fashion. As for team-building, the Group has recruited a considerable number of high calibre personnel, and in turn further strengthened the management team.

Looking ahead, the Group has done a great deal of preparation. Nevertheless, facing the huge potential and ever-changing e-commerce and informatization market with the increasing competition, the mission for the Group is still very challenging. It should be optimistic because the market development trend that the Group is facing today, has proved its directions over the years are correct. The Group is confident that, with the joint efforts by all staff and the continuous breakthroughs in the IT sector, a remarkable improvement in the Group's operations will be achieved.

Finally, I hereby express my gratitude to the board of directors (the "Board"), executive committee and all staff for their dedication and devotion, and also to the shareholders for their concern and support to the Group.

Yu Pun Hoi
Chairman

Hong Kong, 25 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

During the year under review, the Group continued to follow its strategies of the recent years and 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$742.7 million (2009: HK$427.0 million) and approximately HK$79.9 million (2009: HK$142.5 million) respectively. The net assets attributable to the owners of the Company was approximately HK$2,036.4 million (2009: HK$2,110.2 million), representing a value of approximately HK$0.102 per share.

Corporate IT Application Services

The Group's corporate IT application services division has maintained its business continuity and stability as from the previous year. Both sales income and profit margin have seen positive improvements, and gross profit has recorded a significant increase. The relevant businesses of CE Dongli and Xinnet, the subsidiaries of the Company, have achieved a greater growth. During the year, turnover and net loss of this division were approximately HK$712.3 million (2009: HK$402.9 million) and approximately HK$97.1 million (2009: HK$212.8 million) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Information Services

The Group's financial information services division was in loss-suffering position throughout 2010. The management is determined to take all necessary measures to improve the operation performance. During the year, turnover and net loss of this division were approximately HK$20.2 million (2009: HK$18.3 million) and approximately HK$36.3 million (2009: HK$43.3 million) respectively.

Distance Learning Education Services

The Group's distance learning education services division has introduced new training programmes in accounting. This rapidly helped to increase the number of paid members to 58,661, which has realised a profit for this division. During the year, turnover and net profit of this division were approximately HK$10.2 million (2009: HK$5.8 million) and approximately HK$1.2 million (2009: net loss of HK$4.1 million) respectively.

II. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2010, the net assets attributable to the owners of the Company amounted to approximately HK$2,036.4 million (2009: HK$2,110.2 million), including cash and bank balances of approximately HK$79.3 million (2009: HK$78.7 million), which were mainly denominated in Renminbi and Hong Kong dollars. As at 31 December 2010, the Group did not have any borrowings (2009: HK$30.7 million, which were bearing interest at floating rates). As all borrowings were repaid by the Group in 2010, the Group's gearing ratio, which is calculated as the net debt dividend by adjusted capital plus net debt, was not applicable for the year ended 31 December 2010. Given the Group had net cash position, gearing ratio for the year ended 31 December 2009 was not applicable.

As at 31 December 2010, the Group's capital commitment was approximately HK$144.5 million, which would be used as the funding for the construction projects for the headquarters of corporate IT application services.

The Group's contingent liabilities as at 31 December 2010 were approximately HK$79.5 million due to the guarantees given in connection with credit facilities.

As at 31 December 2010, the carrying amount of the financial assets at fair value through profit or loss of HK$0.5 million was pledged as the securities for the credit facilities of the Group.

III. 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 revenue were primarily denominated in Renminbi. The ever-growing economy of China is expected to warrant a continued appreciation of Renminbi. The Group's reported assets, liabilities and profits may be affected by the Renminbi exchange rate. Although Renminbi exchange risk exposure did not have significant impact to the Group during the year under review, the Group will keep on reviewing and monitoring the exchange fluctuation between Renminbi and Hong Kong dollars, and may make appropriate foreign exchange hedging arrangements when necessary.

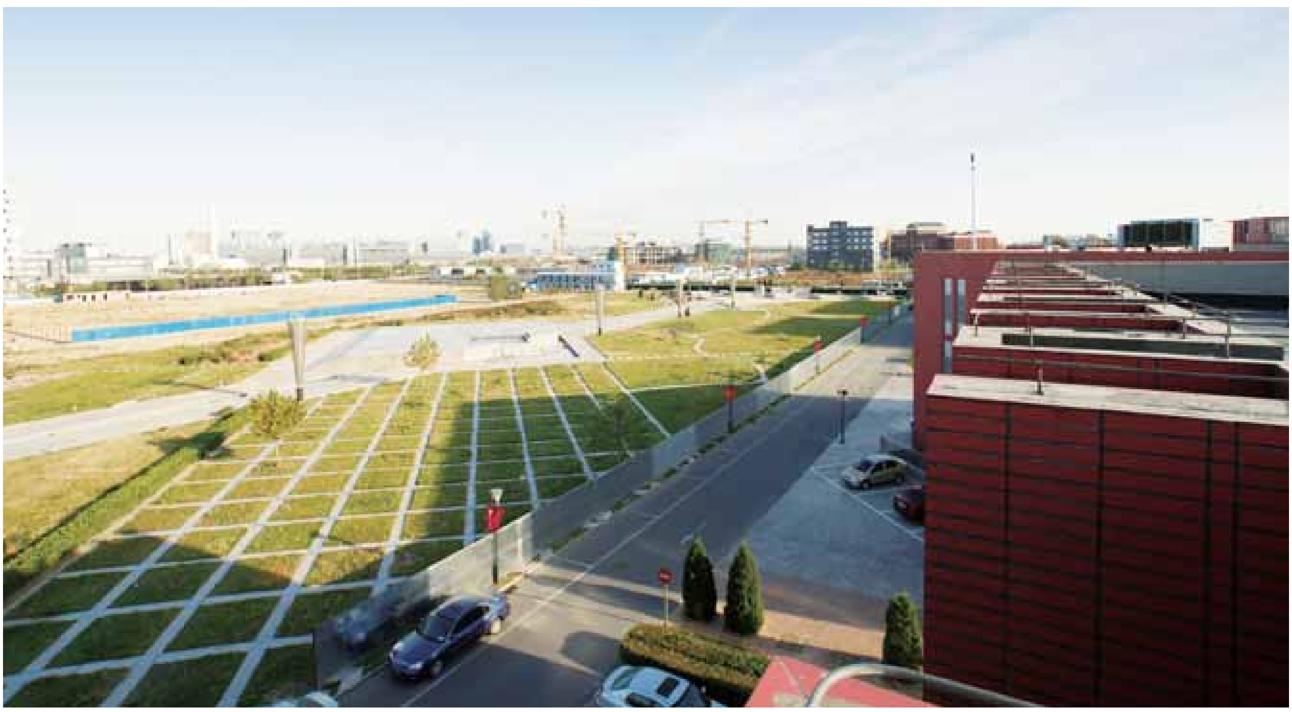
MANAGEMENT DISCUSSION AND ANALYSIS

IV. 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 the Company. In general, salary review is conducted annually. As at 31 December 2010, the Group had approximately 8,198 employees (2009: 7,466 employees). The salaries of and allowances for employees for the year ended 31 December 2010 were approximately HK$542.0 million (2009: HK$436.3 million).

V. PROSPECT

2011 will be a year of rapid development for the China e-commerce market. In this year, the Group will focus on capturing the market opportunities by launching new products in a timely manner and by integrating internal resources of the Group. The Group will build a new and radical sales network for expanding its business coverage rapidly and for aggressively exploring new clients while upholding the value and contribution of existing clients so as to increase market share and income. The Group will also continue its efforts in technology R&D, turnaround the performance of financial information services business and to enhance the profitability from distance learning education services business. The Group will strive to turnaround the loss position and to achieve significant improvement in all of its operations and to create a greater value for the shareholders.



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 2010.

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 30.

The directors do not recommend the declaration of the payment of a final dividend for the year ended 31 December 2010 (2009: 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 110.

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's principal subsidiaries and associate as at 31 December 2010 are set out in notes 17 and 18 to the financial statements respectively.

BANK BORROWINGS

The Group's bank borrowings as at 31 December 2010 is set out in note 28 to the financial statements.

SHARE CAPITAL AND SHARE PREMIUM

During the year, there was no movement in share premium of the Company. Details of the share capital of the Company during the year are set out in note 30 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 32 to the financial statements.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2010, the amount of the Company's reserves available for distribution was approximately HK$460,737,000. 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 2010 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 36 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2010, 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 35 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
Mr. WANG Gang
Mr. QIN Tian Xiang#
Mr. LUO Ning#
Mr. LAM Bing Kwan#
Mr. HUANG Yaowen*
Prof. JIANG Ping*
Mr. FUNG Wing Lap*

Non-executive directors
* Independent non-executive directors

REPORT OF THE DIRECTORS

DIRECTORS (Continued)

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

In accordance with Article 94 of the Company's articles of association, Mr. Wang Gang, Mr. Qin Tian Xiang, Mr. Luo Ning and Mr. Huang Yaowen shall retire at the forthcoming annual general meeting and, being eligible, Mr. Wang Gang, Mr. Qin Tian Xiang and Mr. Huang Yaowen will offer themselves for re-election at the forthcoming annual general meeting, but Mr. Luo Ning will not offer himself for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical Details of Directors

Executive Directors

Mr. YU Pun Hoi, aged 52, 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 the chairman of the Board and the chairman of executive committee of the Company.

Mr. Yu is also the chairman of the Board, controlling shareholder, and the chairman of executive committee of Nan Hai Corporation Limited ("Nan Hai"), and a director of a number of major subsidiaries of the Company and Nan Hai.

Ms. CHEN Dan, aged 42, 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 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 operation management within the Group, and is also a general manager of CE Dongli.

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 39, graduated from the Law School of Anhui University and obtained a Bachelor degree in Laws, and got a 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 government departments and law firms.

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

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.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Directors (Continued)

Executive Directors (Continued)

Mr. WANG Gang, aged 55, graduated from Capital University of Economics and Business in China and conferred a Bachelor degree in Business Economics and also obtained an MBA degree from National University of Singapore. Prior to joining the Group, Mr. Wang worked in the headquarters of China Agricultural Bank for many years, and was appointed as a general manager working in the bank's branch office in Singapore.

Mr. Wang joined the Group in December 2007 and 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.

Non-executive Directors

Mr. QIN Tian Xiang, aged 45, 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.

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 52, 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. (listed on The Shenzhen Stock Exchange, stock code 000839).

Mr. Luo joined the Board of the Company in October 1999 and has been appointed as a non-executive director.

Mr. LAM Bing Kwan, aged 61, graduated from the University of Oregon in the United States of America and conferred a Bachelor degree in Business Administration in 1974. Prior to joining the Group, Mr. Lam had been in senior management positions in the banking and financial industry for more than 10 years.

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, eForce Holdings Limited and Lai Sun Garment (International) Limited.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Directors (Continued)

Independent Non-executive Directors

Mr. HUANG Yaowen, aged 40, graduated from South West University of Politics and Laws in China and conferred a Bachelor degree in Laws in 1992, and obtained a degree of EMBA in China Europe International Business School. Mr. Huang also holds a Master of Laws conferred by Central Parties School in the PRC, and is a registered attorney at law in China. Mr. Huang is the executive partner of Kai Wen Law Firm which is Chinese commercial law firms in the PRC.

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 80, 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, conducts lectures for doctoral degree class in civil and commercial laws, 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 50, 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 has been appointed as 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

Mr. ZHANG Bin (aged 45)
Deputy General Manager – Technology Development
Sino-i Technology Limited

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

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

Mr. Zhang joined the Group in 1999, and was responsible for organizing and leading technical teams in areas of R&D and application for IT application services technology. In March 2005, Mr. Zhang was appointed as a chief technology officer of the Group. In April 2006, Mr. Zhang has been appointed as a deputy general manager of the Technology Development Department of the Group; general manager of 北京中企開源信息技術有限公司 (Beijing CE Open Source Software Co., Ltd.) ("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. Zhang is also a member of executive committee of the Company and Nan Hai, and a director of a number of major subsidiaries of the Company.

Mr. CHEN Ming Fei (aged 34)
Executive Deputy General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

Mr. Chen has more than 10 years' sales and possesses with acute insight in IT business, and 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 business strategy planning and business management of CE Dongli. In 2006, Mr. Chen was appointed as a deputy general manager of CE Dongli and has been appointed as an executive deputy general manager in June 2007.

Mr. Chen is also a member of executive committee of the Company.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management (Continued)

Ms. SHI Wenqing (aged 40)
Deputy General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

Ms. Shi holds a Bachelor degree in Engineering from Beijing University of Agriculture. Prior to joining the Group, Ms. Shi has worked as senior sales director in various large size multinational corporations with extensive experience in sales management.

In June 2009, Ms. Shi jointed CE Dongli as a national business director. In February 2010, she was promoted to deputy general manager and is responsible for sales business.

Ms. LIN Chuan Ju (aged 43)
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 conferred a Master degree in 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 alliance 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 business 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.

Ms. Lin is also a member of executive committee of the Company.

Mr. YAO Jun (aged 39)
Deputy General Manager
北京中企開源信息技術有限公司 (Beijing CE Open Source Software Co., Ltd.)

Mr. Yao holds a Bachelor degree in Management Information System from Tsinghua University and obtained an MBA degree from Beijing International MBA (BiMBA) at Peking University. Prior to joining the Group, Mr. Yao worked in various well-known IT corporations and institutions, and has extensive experience in technology R&D and management.

In December 2005, Mr. Yao joined the Group and was appointed as a director of financial data department of CE Open. In July 2008, Mr. Yao was promoted to deputy general manager of CE Open and is responsible for R&D and operations management of various products lines of the Group.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management (Continued)

Mr. LU Yan (aged 39)
Deputy General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

Mr. Lu holds a Bachelor degree in Arts from Beijing International Studies University and obtained an MBA degree from the University of Leeds, UK. Prior to joining the Group, Mr. Lu has worked as a senior executive of call center of various well-known IT and internet corporations, with extensive management and customer communication experience in call center operations.

In December 2009, Mr. Lu joined the Group and was appointed as a senior director of call center in the Group and also as a senior director of customer services in CE Dongli. In October 2010, Mr. Lu was promoted to deputy general manager and is responsible for the management of call center and customer services department.

Mr. WU Fa Ti (aged 40)
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)

Mr. Wu graduated from the Information Science College of Beijing Normal University and obtained a Doctor of Education Technology. Mr. Wu has hosted or participated in more than 20 national, provincial and departmental major scientific research projects and published four academic writings. Mr. 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, Mr. Wu joined the Group as a director of education technology of Chinese Dadi, and was promoted to general manager in 2006.

Mr. XU Ke (aged 33)
General Manager
北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited)

Mr. Xu graduated from Peking University and Northeastern University in the USA and obtained a Doctor of Science and a qualification of Chartered Financial Analyst. Prior to joining the Group, Mr. Xu has worked in Bloomberg, an international well-known company, and was responsible for the design and R&D of futures analysis products, and also as a member of UBS-Bloomberg CMCI Index Advisory Committee.

In September 2009, Mr. Xu joined the Group and was appointed as a product director and executive deputy general manager of Shihua and is responsible for strategic planning, product design and team construction. In February 2011, Mr. Xu was promoted to general manager.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, 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, the holding company of the Company. These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of Nan Hai. As such, Mr. Yu was taken to be interested in these shares for the purposes of Part XV of the SFO.

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

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 2010, 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	–	34,945,726,203 *(Note 1)*	69,326,400 *(Note 2)*	35,015,052,603	51.01%
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 34,945,726,203 shares, 31,203,232,705 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 2010, 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 as set out in Appendix 10 to the Listing Rules.

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 of the Company.

The share 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 2010, no share options have been granted under the Scheme by the Company.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

A summary of the Scheme is as follows:

(1) Purpose

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

(2) Participants

The participants include:

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

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

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

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

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

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

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

(3) Maximum number of shares

The total number of shares which may be issued upon exercise of all share 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 share 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.

(4) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon exercise of the share 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 share options above this limit shall be subject to certain requirements as stipulated in the rules of the Scheme.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

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

The period within which the Shares must be taken up a share 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 share option.

(6) Minimum period for exercising a share option

The Board of the Company may at its discretion determine the minimum period for which a share option must be held before it can be exercised.

(7) Acceptance and payment on acceptance

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

(8) Basis of determining the subscription price

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

(9) Remaining life of the Scheme

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' SERVICE CONTRACTS

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

No 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.

REPORT OF THE DIRECTORS

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 2010, 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 2010, 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 41 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

REPORT OF THE DIRECTORS

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 23 to 28.

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 auditor of the Company and management the accounting principles and practices adopted by the Group, the audited accounts for the year ended 31 December 2010, and discussed the auditing, financial control, internal control and risk management systems.

AUDITOR

The financial statements since the financial year ended 31 March 2001 were audited by Grant Thornton ("GTHK"), now known as JBPB & Co.. Due to a merger of the businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO as announced on 26 November 2010, GTHK resigned and BDO was appointed as auditor of the Company effective from 19 November 2010. The financial statements for the year ended 31 December 2010 were audited by BDO.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

On behalf of the Board

Yu Pun Hoi
Chairman

Hong Kong, 25 March 2011

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 of the Company, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010, except for the deviations 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 as set out in Appendix 10 to the Listing Rules throughout the year ended 31 December 2010.

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 10 to 12 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 12 meetings.

Chairman and Chief Executive Officer

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

The Company has not appointed a CEO. The role of 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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Non-executive Directors

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

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

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three INEDs of whom Mr. Fung Wing Lap is a certified public accountant in Hong Kong. Besides, Mr. Huang Yaowen is a 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 executive directors and senior management of the Company as follows:

Mr. YU Pun Hoi *(Chairman)*	
Ms. CHEN Dan	
Ms. LIU Rong	
Mr. WANG Gang	
Mr. ZHANG Bin*	(appointed on 6 December 2010)
Mr. CHEN Ming Fei*	(appointed on 6 December 2010)
Mr. WANG Jian*	(appointed on 6 December 2010 and removed on 16 March 2011)
Ms. LIN Chuan Ju*	(appointed on 6 December 2010)

* Senior management

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 3 meetings during the year.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Audit Committee

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

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

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 auditor of the Company.

During the year, the Audit Committee held 5 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 2009 and the unaudited interim results for the six months ended 30 June 2010, and discussed the auditing, financial control, internal control and risk management systems.

Remuneration Committee

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

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

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 1 meeting during the year.

CORPORATE GOVERNANCE REPORT

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 2010:

	Attendance/Number of Meetings			
Name of Director	Board	Executive Committee	Audit Committee	Remuneration Committee
Executive Directors				
Mr. YU Pun Hoi	12	3	N/A	N/A
Ms. CHEN Dan	12	3	N/A	N/A
Ms. LIU Rong	11	3	N/A	N/A
Mr. WANG Gang	11	3	N/A	N/A
Non-executive Directors				
Mr. QIN Tian Xiang	0	N/A	N/A	N/A
Mr. LUO Ning	1	N/A	N/A	N/A
Mr. LAM Bing Kwan	12	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. HUANG Yaowen	12	N/A	5	1
Prof. JIANG Ping	12	N/A	5	1
Mr. FUNG Wing Lap	12	N/A	5	1
Number of meetings held during the year	12	3	5	1

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

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

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 29.

The remuneration paid to the external auditor of the Group in respect of audit services and non-audit services for the year ended 31 December 2010 amounted to HK$3,221,000 and HK$21,000 respectively. An analysis of the remuneration paid to the external auditor of the Group is set out in note 8 to the financial statements.

CORPORATE GOVERNANCE REPORT

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, 25 March 2011

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS 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") and its subsidiaries (together "the Group") set out on pages 30 to 109, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made 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 about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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.

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate Number P04434

Hong Kong, 25 March 2011

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue/Turnover	5(a)	**742,744**	427,004
Cost of sales and services provided		**(180,339)**	(131,673)
Gross profit		**562,405**	295,331
Other operating income	5(b)	**112,033**	137,185
Gain on disposal and dissolution of subsidiaries	34(b)	**379**	26,461
Selling and marketing expenses		**(259,411)**	(236,950)
Administrative expenses		**(315,002)**	(248,194)
Other operating expenses		**(170,462)**	(103,635)
Finance costs	7	**(4,111)**	(4,848)
Share of results of an associate		**–**	–
Loss before income tax	8	**(74,169)**	(134,650)
Income tax expense	9	**(16,406)**	(16,841)
Loss for the year		**(90,575)**	(151,491)
Loss for the year attributable to:			
Owners of the Company	10	**(79,857)**	(142,482)
Non-controlling interests	33	**(10,718)**	(9,009)
		(90,575)	(151,491)
		HK cent	HK cent
Loss per share for loss attributable to the owners of the Company during the year	11		
– Basic		**(0.40)**	(0.71)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Loss for the year	**(90,575)**	(151,491)
Other comprehensive income, including reclassification adjustments:		
Exchange differences on translation of financial statements of foreign operations	**7,130**	1,426
Exchange differences reclassified on disposal and dissolution of subsidiaries	**–**	(1,132)
Reserve reclassified on disposal of subsidiaries	**–**	(4,246)
Other comprehensive income for the year, including reclassification adjustments, and net of tax	**7,130**	(3,952)
Total comprehensive income for the year	**(83,445)**	(155,443)
Total comprehensive income attributable to:		
Owners of the Company	**(73,817)**	(146,553)
Non-controlling interests	**(9,628)**	(8,890)
	(83,445)	(155,443)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**281,795**	222,594
Investment property	14	**–**	11,409
Prepaid land lease payments under operating leases	15	**14,010**	56,316
Interest in an associate	18	**–**	–
Available-for-sale financial assets		**473**	324
Goodwill	19	**115,866**	82,098
Deposits	21	**17,602**	142,199
Other intangible assets	20	**168,961**	65,184
Loan to ultimate holding company	27(c)	**–**	1,544,576
		598,707	2,124,700
Current assets			
Financial assets at fair value through profit or loss	22	**22,932**	102,440
Trade receivables	23	**118,778**	23,004
Deposits, prepayments and other receivables	21	**243,059**	368,860
Loan to ultimate holding company	27(c)	**1,634,551**	–
Cash and cash equivalents	24	**79,257**	78,654
		2,098,577	572,958
Non-current assets classified as held for sale	16	**75,225**	–
		2,173,802	572,958
Current liabilities			
Trade payables	25	**43,134**	31,981
Other payables and accruals	26	**172,826**	107,769
Deferred revenue		**64,030**	82,404
Provision for tax		**68,516**	58,988
Amount due to ultimate holding company	27(c)	**305,733**	174,811
Amount due to a director	27(a)	**32,374**	41,664
Amounts due to shareholders	27(b)	**5,006**	5,006
Amount due to an associate	27(d)	**5,505**	5,505
Bank borrowings, secured	28	**–**	11,400
		697,124	519,528
Net current assets		**1,476,678**	53,430
Total assets less current liabilities		**2,075,385**	2,178,130

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Bank borrowings, secured	28	–	19,300
		–	19,300
Net assets		**2,075,385**	2,158,830
EQUITY			
Share capital	30	**199,145**	199,145
Reserves	32	**1,837,258**	1,911,075
Equity attributable to the Company's owners		**2,036,403**	2,110,220
Non-controlling interests	33	**38,982**	48,610
Total equity		**2,075,385**	2,158,830

Yu Pun Hoi
Director

Chen Dan
Director

STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**112**	–
Interests in subsidiaries	17	**105,721**	105,738
Available-for-sale financial assets		**324**	324
Loan to ultimate holding company	27(c)	**–**	390,972
		106,157	497,034
Current assets			
Amounts due from subsidiaries	17	**948,509**	946,880
Amount due from an associate	27(d)	**15,663**	15,663
Amount due from ultimate holding company	27(c)	**649,440**	259,732
Deposits, prepayments and other receivables	21	**2,041**	974
Cash and cash equivalents	24	**1,959**	1,096
		1,617,612	1,224,345
Current liabilities			
Other payables and accruals	26	**4,034**	3,338
Provision for tax		**519**	2,641
Amounts due to subsidiaries	17	**192,477**	192,671
Amount due to a director	27(a)	**159,999**	159,999
Amounts due to shareholders	27(b)	**5,005**	5,005
		362,034	363,654
Net current assets		**1,255,578**	860,691
Total assets less current liabilities/Net assets		**1,361,735**	1,357,725
EQUITY			
Share capital	30	**199,145**	199,145
Reserves	32	**1,162,590**	1,158,580
Total equity		**1,361,735**	1,357,725

Yu Pun Hoi
Director

Chen Dan
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Notes	**2010 HK$'000**	2009 HK$'000
Cash flows from operating activities			
Loss before income tax		**(74,169)**	(134,650)
Adjustments for:			
Depreciation of property, plant and equipment		**27,354**	28,425
Depreciation of investment property		**55**	649
Operating lease charges on prepaid land lease		**1,161**	1,308
Amortisation of intangible assets		**67,462**	32,471
Gain on disposal and dissolution of subsidiaries	34(b)	**(379)**	(26,461)
Loss on disposal of property, plant and equipment		**161**	36
Provision for impairment of receivables		**288**	1,154
Bad debt written off		**378**	57
Write off of property, plant and equipment		**1,149**	580
Write off of other intangible assets		**214**	–
Dividend income from financial assets at fair value through profit or loss		**(808)**	(142)
Fair value loss/(gain) on financial assets at fair value through profit or loss		**15,844**	(11,204)
Bank interest income		**(186)**	(476)
Other interest income		**(92,881)**	(116,243)
Interest expenses		**4,111**	4,848
Operating loss before working capital changes		**(50,246)**	(219,648)
Decrease in amount due to an associate		**–**	(2)
(Increase)/decrease in trade receivables		**(85,067)**	2,837
Decrease/(increase) in deposits, prepayments and other receivables		**158,451**	(71,962)
Increase in trade payables, other payables and accruals		**14,677**	33,090
Decrease/(increase) in financial assets at fair value through profit or loss		**62,698**	(89,266)
(Decrease)/increase in amount due to a director		**(9,290)**	41,492
(Decrease)/increase in deferred revenue		**(20,761)**	27,339
Decrease in amount due from ultimate holding company		**103,811**	213,777
Cash generated from/(used in) operations		**174,273**	(62,343)
Net income tax paid		**(7,483)**	(3,369)
Net cash generated from/(used in) operating activities		**166,790**	(65,712)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

for the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(99,911)**	(123,652)
Payments of deposits to acquire property, plant and equipment		**(17,212)**	–
Proceeds from disposal of property, plant and equipment		**724**	278
Net cash outflow arising from disposal and dissolution of subsidiaries	34(b)	**–**	(97)
Net cash inflow arising from acquisition of subsidiaries	34(a)	**410**	117
Payments to acquire intangible assets		**(21,228)**	(20,761)
Dividend income from financial assets at fair value through profit or loss		**808**	142
Bank interest received		**186**	476
Other interest received		**–**	65,984
Net cash used in investing activities		**(136,223)**	(77,513)
Cash flows from financing activities			
Proceeds from bank borrowings		**66,897**	90,796
Repayments of bank borrowings		**(97,959)**	(118,715)
Repayment from ultimate holding company		**–**	150,000
Proceeds from the securities brokers and margin financiers		**2,643**	656
Interest paid		**(4,111)**	(4,848)
Net cash (used in)/generated from financing activities		**(32,530)**	117,889
Net decrease in cash and cash equivalents		**(1,963)**	(25,336)
Cash and cash equivalents at 1 January		**78,654**	103,692
Effect of foreign exchange rate changes, on cash held		**2,566**	298
Cash and cash equivalents at 31 December		**79,257**	78,654
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		**79,257**	78,654
		79,257	78,654

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Equity attributable to the Company's owners									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital distribution reserve Note 32(a) HK$'000	General Reserve Note 32(b) HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 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
Released 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 reclassified 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 and 1 January 2010	**199,145**	**39,194***	**2,258***	**52,622***	**5,885***	**57,175***	**1,753,941***	**2,110,220**	**48,610**	**2,158,830**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(79,857)**	**(79,857)**	**(10,718)**	**(90,575)**
Other comprehensive income										
– Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**6,040**	**–**	**6,040**	**1,090**	**7,130**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**6,040**	**(79,857)**	**(73,817)**	**(9,628)**	**(83,445)**
At 31 December 2010	**199,145**	**39,194***	**2,258***	**52,622***	**5,885***	**63,215***	**1,674,084***	**2,036,403**	**38,982**	**2,075,385**

* These reserve accounts comprise the consolidated reserves of HK$1,837,258,000 (2009: HK$1,911,075,000) in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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 Units 15-18, 36/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught 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 for the year ended 31 December 2010 were approved for issue by the board of directors ("the Board") on 25 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 30 to 109 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 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 3.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest (if any) in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation (Continued)

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

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 are recognised in profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

2.3 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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 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 profit or loss.

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

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the 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.

2.6 Property, plant and equipment

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

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-$^{1}/_{3}$%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

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 profit or loss.

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.

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.

2.7 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 2.15. 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.

2.8 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.

Where the Group acquires a property to earn rental income and/or for capital appreciation, and the property locates on leasehold land which is classified as an operating lease, the cost of acquiring the property is allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element when the property is recognised. The amount attributed to the land element is accounted for under the Group's accounting policy stated in note 2.7 whereas the amount allocated to the building element is accounted for as the cost of investment property.

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 investment property to property, plant and equipment shall be made when, and only when, there is a change in use, evidenced by commencement of owner-occupation, for a transfer from investment property to owner-occupied property. The transfers between investment property and owner-occupied 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 2.4.

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.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (note 2.21).

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.

2.10 Other intangible assets and research and development activities

Other intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	4 years
Customer relationships	2 years
Development cost	4 years

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.

Intangible assets, such as masthead, with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.21.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development activities 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.

2.11 Financial assets

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

Financial assets are classified into the following categories:

– financial assets at fair value through profit or loss

– loans and receivables

– available-for-sale financial assets

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

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 asset.

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-making. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

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

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

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

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

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.18 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Gains and losses are recognised in the profit or loss 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 in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve 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 is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

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 assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

– 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

Impairment of financial assets (Continued)

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 loan 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) Financial assets at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

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

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the profit or loss 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 profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the profit or loss. The subsequent increase in fair value is recognised directly in other comprehensive income. 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 profit of loss.

Financial assets other than financial assets at fair value through profit or loss and loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of loans and receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.13 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 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 related finance costs are recognised in accordance with the Group's accounting policy for finance costs (see note 2.24).

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 profit or loss.

(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 profit or loss 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 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.

2.15 Leases

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges as the lessee

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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.

2.17 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.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 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.

2.20 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.

2.21 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale when.

- they are available for immediate sale;
- management has committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of clarification.

Non-current assets classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

(ii) Retirement benefits

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

(iii) Share-based employee compensation

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

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

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

2.24 Finance costs

Finance 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.

Finance costs are capitalised as part of the cost of a qualifying asset 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.

2.25 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Accounting for income taxes (Continued)

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 profit or loss, 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.

2.26 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 "all other segments". All other segments included trading of securities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 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
- 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 ultimate holding company, certain 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/an associate.

No asymmetrical allocations have been applied to reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 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. ADOPTION OF NEW AND AMENDED HKFRSs

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

In current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKIPCA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010.

HKFRSs (Amendments)	Improvements to HKFRSs 2009
Amendment to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 28 (Revised)	Investments in Associates
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Revised) – Business Combinations and HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are described in note 2.2 to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3(Revised) is as follows:

HKFRS 3 (Revised) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. HKFRS 3 (Revised) also requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree. The settlement of pre-existing relationship is not regarded as part of a business combination. It also requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. The adoption of HKFRS 3 (Revised) has had no material impact to the financial statements for current year.

The application of HKAS 27 (Revised) has resulted in changes in the Group's accounting policies for the Group's changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increase in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (Revised), all such increases or decreases are deal with in equity, with no impact on goodwill or profit or loss.

When control of subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions. The adoption of HKFRS 3 (Revised) has had no impact to the financial statements for current year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

HKAS 28 (Revised) Investments in Associates

The principle adopted under HKAS 27 (Revised) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to HKAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss. In addition, as part of Improvements to HKFRSs issued in 2010, HKAS 28 (Revised) has been amended to clarify that the consequential amendments to HKAS 28 in relation to transactions where the investor loses significant influence over an associate should be applied prospectively. The Group has applied the amendments to HKAS 28 (Revised) as part of Improvements to HKFRSs issued in 2010 in advance of their effective dates (annual periods beginning on or after 1 July 2010). This adoption of HKAS 28 (Revised) has no impact on the current year balance.

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of its lease in the PRC as operating leases continues to be appropriate.

HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The adoption of HK Interpretation 5 has had no impact to the financial statements for current year and prior years.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[2&3]
Amendments to HKAS 32	Classification of Rights Issues[1]
HKAS 24 (Revised)	Related Party Disclosures[3]
Amendments to HKFRS 7	Disclosure –Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors are in the process of making an assessment of the potential impact of these new/revised HKFRSs but are not yet in a position to state whether they could have material financial impact on the Group's results and financial position.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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 investment property, property, plant and equipment and intangible assets other than goodwill on a straight-line basis over the estimated useful life, and after taking into account of their estimated residual value, at the rate of 5% per annum, 5% to 33-1/3% per annum and 25% to 50% per annum, respectively, commencing from the date on which the assets are available for use. The estimated useful life 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 collectability 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 2.21. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flow management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash generating units containing goodwill are disclosed in note 19.

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 PRC. Significant judgement is required in determining the amount of the provision for taxes and the timing of payment of the related taxation. 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 income taxes and deferred tax provision in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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:

	2010	2009
	HK$'000	HK$'000
Corporate IT application services	**712,269**	402,866
Financial information services	**20,238**	18,340
Distance learning education services	**10,237**	5,798
	742,744	427,004

(b) Other operating income:

	2010	2009
	HK$'000	HK$'000
Bank interest income	**186**	476
Other interest income	**92,881**	116,243
Net fair value gain on financial assets at fair value through profit or loss	**–**	11,204
Rental income	**1,264**	2,837
Government grants	**14,043**	3,610
Sundry income	**3,659**	2,815
	112,033	137,185

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

6. SEGMENT INFORMATION

The executive directors have identified the Group's three services lines as the following operating segments as further described in note 2.26.

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

	2010				
	Financial information services HK$'000	Corporate IT application services HK$'000	Distance learning education services HK$'000	All other segments HK$'000	Total HK$'000
Revenue					
From external customers	**20,238**	**712,269**	**10,237**	**–**	**742,744**
From other segments	**–**	**1,269**	**–**	**–**	**1,269**
Reportable segment revenue	**20,238**	**713,538**	**10,237**	**–**	**744,013**
Reportable and all other segment profit/(loss)	**(36,298)**	**(97,117)**	**1,206**	**(15,046)**	**(147,255)**
Bank interest income	**7**	**173**	**3**	**–**	**183**
Finance costs	**–**	**(4,111)**	**–**	**–**	**(4,111)**
Depreciation and amortisation of non-financial assets	**(600)**	**(95,309)**	**(127)**	**–**	**(96,036)**
Provision for impairment of receivables	**–**	**(96)**	**–**	**–**	**(96)**
(Loss)/Gain on disposal of property, plant and equipment	**(112)**	**17**	**(66)**	**–**	**(161)**
Reportable and all other segment assets	**8,194**	**1,074,355**	**4,229**	**23,035**	**1,109,813**
Additions to non-current segment assets during the year	**106**	**266,597**	**–**	**–**	**266,703**
Reportable and all other segment liabilities	**(22,808)**	**(232,137)**	**(1,612)**	**–**	**(256,557)**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

6. SEGMENT INFORMATION (Continued)

	2009				
	Financial information services HK$'000	Corporate IT application services HK$'000	Distance learning education services HK$'000	All other segments HK$'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 and all other segment profit/(loss)	(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 and all other 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 and all other segment liabilities	(21,700)	(221,146)	(2,400)	–	(245,246)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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:

	2010 HK$'000	2009 HK$'000
Reportable segment revenue	**744,013**	427,004
Elimination of inter-segment revenue	**(1,269)**	–
Group revenue	**742,744**	427,004
Reportable segment results	**(132,209)**	(260,209)
Other segments results	**(15,046)**	11,344
Bank interest income	**3**	23
Other interest income	**92,881**	116,243
Depreciation and amortisation	**(26)**	(284)
Gain on disposal and dissolution of subsidiaries	**379**	26,461
Provision for impairment of receivables	**(192)**	–
Unallocated corporate income	**–**	70
Unallocated corporate expenses	**(18,690)**	(28,298)
Elimination of inter-segment profit	**(1,269)**	–
Loss before income tax	**(74,169)**	(134,650)

	2010 HK$'000	2009 HK$'000
Reportable segment assets	**1,086,778**	843,110
Other segments assets	**23,035**	102,497
Loan to ultimate holding company	**1,634,551**	1,544,576
Cash and cash equivalents	**2,940**	2,382
Available-for-sale financial assets	**324**	324
Other financial and corporate assets	**26,157**	204,769
Elimination of inter-segment assets	**(1,276)**	–
Group assets	**2,772,509**	2,697,658
Reportable segment liabilities	**256,557**	245,246
Amount due to ultimate holding company	**305,733**	174,811
Amount due to a director	**32,374**	41,664
Amounts due to shareholders	**5,006**	5,006
Amount due to an associate	**5,505**	5,505
Provision for tax	**68,516**	58,988
Other corporate liabilities	**23,433**	7,608
Group liabilities	**697,124**	538,828

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

6. SEGMENT INFORMATION (Continued)

The Group's revenue 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**105**	2,561	**112**	45
Mainland China (domicile)	**742,639**	424,443	**598,122**	579,755
Total	**742,744**	427,004	**598,234**	579,800

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 and operating 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

	2010	2009
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**4,111**	4,847
Interest on amounts due to securities brokers and margin financiers	**–**	1
	4,111	4,848

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

8. LOSS BEFORE INCOME TAX

	2010 HK$'000	2009 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Auditors' remuneration	**3,221**	3,240
Net foreign exchange loss*	**2**	768
Gross depreciation of property, plant and equipment – owned assets	**27,384**	28,623
Less: Amounts included in cost of provision of corporate IT application services	**–**	(190)
Amounts included in research and development expenses	**(225)**	(75)
Amounts capitalised in intangible assets	**(30)**	(198)
Net depreciation of owned assets*	**27,129**	28,160
Depreciation of investment property*	**55**	649
Gross operating lease charges on land and buildings	**37,387**	39,034
Less: Amounts included in cost of provision of corporate IT application services	**–**	(556)
Amounts capitalised in intangible assets	**(906)**	(846)
Net operating charges on land and buildings	**36,481**	37,632
Operating lease charges on prepaid land lease*	**1,161**	1,308
Gross retirement benefit contributions	**76,499**	65,332
Less: Amounts included in research and development expenses	**(1,116)**	(2,498)
Amounts included in cost of provision of corporate IT application services	**(4,571)**	(9,088)
Amounts capitalised in intangible assets	**(2,753)**	(3,514)
Net retirement benefit contributions	**68,059**	50,232
Cost of provision of corporate IT application services	**167,990**	120,788
Cost of provision of financial information services	**11,067**	9,774
Cost of inventories sold – distance learning materials	**1,282**	1,111
Cost of sales and services provided	**180,339**	131,673
Provision for impairment of receivables, net*	**288**	1,154
Bad debt written off*	**378**	57
Loss on disposal of property, plant and equipment*	**161**	36
Gross amortisation of intangible assets other than goodwill*	**67,462**	32,471
Less: Amounts included in research and development expenses	**(2,542)**	–
Net amortisation of intangible assets other than goodwill*	**64,920**	32,471
Write-off of property, plant and equipment*	**1,149**	580
Write-off of other intangible assets	**214**	–
Net fair value (gain)/loss on financial assets at fair value through profit or loss*	**15,844**	(11,204)
Research and development expenses*	**37,293**	12,999

* included in other operating expenses

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

9. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
The tax expense comprises:		
Current tax		
– Hong Kong Profits Tax		
Tax charge for the year	**8,870**	13,599
– PRC Enterprise Income Tax		
Tax charge for the year	**7,536**	3,733
Over-provision in respect of prior years	**–**	(491)
	16,406	16,841

For the year ended 31 December 2010 and 2009, Hong Kong profits tax has been provided at the rate of 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% (2009: 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% (2009: 15%).

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

	2010 HK$'000	2009 HK$'000
Loss before income tax	**(74,169)**	(134,650)
Tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(19,919)**	(24,048)
Tax effect of non-deductible expenses	**20,123**	24,126
Tax effect of non-taxable revenue	**(1,366)**	(6,668)
Tax effect of unused tax losses not recognised	**18,041**	26,440
Utilisation of tax losses previously not recognised	**–**	(177)
Tax effect on temporary differences not recognised	**(473)**	(2,341)
Over-provision in prior years	**–**	(491)
Income tax expense	**16,406**	16,841

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

10. 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$79,857,000 (2009: HK$142,482,000), a profit of HK$4,010,000 (2009: HK$101,490,000) has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of HK$79,857,000 (2009: HK$142,482,000) and on 19,914,504,877 (2009: 19,914,504,877) ordinary shares in issue during the year.

Diluted per share amount for the year ended 31 December 2010 and 31 December 2009 is not presented as there were no potentially dilutive ordinary shares in issue at the reporting date.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 **HK$'000**	2009 HK$'000
Directors' fee (note 36(a))	**514**	504
Wages and salaries	**443,971**	351,387
Pension costs – defined contribution plans	**76,499**	65,332
Staff welfare	**21,520**	19,561
	542,504	436,784
Less: Amounts capitalised in intangible assets	**(4,823)**	(14,896)
	537,681	421,888

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2009					
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 and 1 January 2010					
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
Year ended 31 December 2010					
Opening net carrying amount	**21,219**	**141,611**	**57,572**	**2,192**	**222,594**
Additions	**–**	**76,833**	**23,009**	**69**	**99,911**
Transfer from investment property (note 14)	**11,488**	**–**	**–**	**–**	**11,488**
Acquisition of subsidiaries (note 34(a))	**–**	**–**	**4**	**–**	**4**
Disposals	**–**	**–**	**(962)**	**(124)**	**(1,086)**
Transfer to non-current assets classified as held for sale (note 16)	**(32,152)**	**–**	**–**	**–**	**(32,152)**
Written off	**–**	**–**	**(1,149)**	**–**	**(1,149)**
Depreciation	**(1,517)**	**–**	**(25,315)**	**(552)**	**(27,384)**
Net exchange differences	**962**	**6,651**	**1,890**	**66**	**9,569**
Closing net carrying amount	**–**	**225,095**	**55,049**	**1,651**	**281,795**
At 31 December 2010					
Cost	**–**	**225,095**	**209,911**	**2,605**	**437,611**
Accumulated depreciation	**–**	**–**	**(154,862)**	**(954)**	**(155,816)**
Net carrying amount	**–**	**225,095**	**55,049**	**1,651**	**281,795**

As at 31 December 2009, certain buildings of the Group were charged to secure banking facilities as detailed in note 39.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements, furniture and fixtures HK$'000
At 1 January 2009	
Cost	436
Accumulated depreciation	(436)
Net carrying amount	–
Year ended 31 December 2009	
Opening net carrying amount	–
Depreciation	–
Closing net carrying amount	–
At 31 December 2009 and 1 January 2010	
Cost	436
Accumulated depreciation	(436)
Net carrying amount	–
Year ended 31 December 2010	
Opening net carrying amount	**–**
Additions	**139**
Depreciation	**(27)**
Closing net carrying amount	**112**
At 31 December 2010	
Cost	**575**
Accumulated depreciation	**(463)**
Net carrying amount	**112**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

14. INVESTMENT PROPERTY

Group

	HK$'000
At 1 January 2009	
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 and 1 January 2010	
Cost	13,039
Accumulated depreciation	(1,630)
Net carrying amount	11,409
Year ended 31 December 2010	
Opening net carrying amount	**11,409**
Depreciation	**(55)**
Transfer to property, plant and equipment (note 13)	**(11,488)**
Net exchange differences	**134**
Closing net carrying amount	**–**
At 31 December 2010	
Cost	**–**
Accumulated depreciation	**–**
Net carrying amount	**–**

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

15. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

The Group's interests in leasehold land/land use rights represent prepaid operating lease payments and their carrying book value are analysed as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Outside Hong Kong, held on land with:		
Unexpired terms of leases of between 10 to 50 years	**14,010**	56,316

	Group	
	2010	2009
	HK$'000	HK$'000
Opening net carrying amount	**56,316**	57,408
Annual charges of prepaid operating lease payments	**(1,161)**	(1,308)
Transfer to non-current assets classified as held for sale (note 16)	**(43,073)**	–
Net exchange differences	**1,928**	216
Closing net carrying amount	**14,010**	56,316

As at 31 December 2010, no prepaid land lease payment under operating leases was charged to secure banking facilities.

As at 31 December 2009, certain Group's prepaid land lease payments under operating leases have been pledged to secure the banking facilities granted to the Group (note 39).

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In October 2010 the board resolved and announced its intention to dispose of its interest in certain prepaid land lease payments under operating leases and property, plant and equipment. The disposal was supposed to complete in January 2011 and the Group has entered into an operating lease agreement for the lease of property from 1 February 2011 to 30 June 2011. As at 31 December 2010, the following major classes of assets relating to this disposal have been classified as held for sale in the consolidated statement of financial position.

	Group	
	2010	2009
	HK$'000	HK$'000
Prepaid land lease payments under operating leases	**43,073**	–
Property, plant and equipment	**32,152**	–
	75,225	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

17. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**295,977**	411,029
Less: Provision for impairment	**(190,256)**	(305,291)
	105,721	105,738
Amounts due from subsidiaries	**1,587,965**	1,593,138
Less: Provision for impairment of receivables	**(639,456)**	(646,258)
	948,509	946,880
Amounts due to subsidiaries	**192,477**	192,671

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

Particulars of the principal subsidiaries at 31 December 2010 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**
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
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	–	Investment holding
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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ registration and operations	Particulars of issued and paid-up share capital/registered capital	Percentage held by the Company Directly	Percentage held by the Company Indirectly	Principal activities
中企動力科技股份有限公司(note a)	PRC	RMB500,000,000	–	99.85	Information technology business
北京中企開源信息技術有限公司(note b)	PRC	RMB50,000,000	–	100	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 b)	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
北京中企動力廣告有限公司 (note b)	PRC	RMB1,000,000	–	100	Information technology business

The above table lists out the subsidiaries of the Company as at 31 December 2010 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.

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

for the year ended 31 December 2010

18. INTEREST IN AN ASSOCIATE

	Group	
	2010	2009
	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 :

	2010	2009
Share of net assets	**–**	–
Goodwill	**–**	–
Balance at 31 December	**–**	–

Particulars of the associate as at 31 December 2010 are as follows :

Name	Particulars of issued capital/ registered capital	Country of incorporation/ establishment and operations	Percentage of interest held by the Company		Nature of business
			2010	2009	
Genius Reward Company Limited ("Genius Reward") **	2 ordinary shares of HK$100 each	Hong Kong	**50%**	50%	Inactive

** unlisted limited liability company

The summarised financial information of the Group's associate extracted from its management account is as follows :

	2010	2009
	HK$'000	HK$'000
Assets	**25,702**	25,702
Liabilities	**(34,960)**	(34,174)
Loss for the year	**(786)**	(785)

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 unrecognised share of loss of the associate amounted to HK$393,000 (2009: HK$393,000) and HK$4,629,000 (2009: HK$4,236,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

19. GOODWILL

		Group	
	Notes	**2010 HK$'000**	2009 HK$'000
At 1 January			
Gross carrying amount		**388,963**	388,589
Accumulated impairment		**(306,865)**	(306,800)
Net carrying amount		**82,098**	81,789
Year ended 31 December			
Opening net carrying amount		**82,098**	81,789
Acquisition of subsidiaries	34(a)	**31,096**	127
Disposal and dissolution of subsidiaries	34(b)	**(6)**	–
Net exchange differences		**2,678**	182
Closing net carrying amount		**115,866**	82,098
At 31 December			
Gross carrying amount		**423,322**	388,963
Accumulated impairment		**(307,456)**	(306,865)
Net carrying amount		**115,866**	82,098

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"):

	2010 HK$'000	2009 HK$'000
Corporate IT application services	**115,866**	82,098

The recoverable amounts for the CGU given above were determined based on value-in-use calculations, covering a detailed five-year financial budget (2009: 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

19. GOODWILL (Continued)

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

	Corporate IT application services	
	2010	2009
Discount rates	**4.8%**	7%
Growth rate used to extrapolate cashflows beyond the budgeted period	**N/A**	3%

The budgeted gross margin and net profit margin were determined by the management for the 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.

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

During the years ended 31 December 2010 and 31 December 2009, goodwill arose from acquisition of subsidiaries as stated in note 34(a), which are engaged in software development and information technology business is attributable to the expanding corporate IT application services and the capture of business opportunities.

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.

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for the year ended 31 December 2010

20. OTHER INTANGIBLE ASSETS

Group

	Computer software HK$'000	Development cost HK$'000	Others* HK$'000	Total HK$'000
At 1 January 2009				
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
Year ended 31 December 2010				
Opening net carrying amount	**30,921**	**34,263**	**–**	**65,184**
Additions	**145,675**	**19,455**	**–**	**165,130**
Acquisition of subsidiaries (note 34(a))	**1,120**	**–**	**676**	**1,796**
Amortisation charge for the year	**(58,969)**	**(8,180)**	**(313)**	**(67,462)**
Written off	**–**	**(214)**	**–**	**(214)**
Net exchange differences	**3,073**	**1,438**	**16**	**4,527**
Closing net carrying amount	**121,820**	**46,762**	**379**	**168,961**
At 31 December 2010				
Cost	**308,452**	**62,325**	**699**	**371,476**
Accumulated amortisation	**(186,632)**	**(15,563)**	**(320)**	**(202,515)**
Net carrying amount	**121,820**	**46,762**	**379**	**168,961**

* Other intangible assets include customer relationship.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits and prepayments	**49,920**	156,978	**1,415**	380
Outstanding consideration receivable arising from the disposal of a subsidiary	**75,818**	72,913	**–**	–
Others	**159,700**	305,047	**3,666**	3,634
	285,438	534,938	**5,081**	4,014
Less: Provision for impairment of other receivables	**(24,777)**	(23,879)	**(3,040)**	(3,040)
	260,661	511,059	**2,041**	974
Less non-current portion :				
Deposits for purchase of intangible assets	**–**	(142,199)	**–**	–
Deposits for purchase of property, plant and equipment	**(17,602)**	–	**–**	–
	(17,602)	(142,199)	**–**	–
Current portion	**243,059**	368,860	**2,041**	974

The outstanding consideration receivable arising from the disposal of a subsidiary was unsecured, bore interest at the rate 5% per annum and was originally repayable on 24 September 2009.

On 25 September 2009, the Group entered into supplemental agreement to extend the loan, which bore interest at the rate of 5% per annum and was repayable on 24 September 2010.

The repayment period of the receivable was further extended to 30 June 2011 after another supplemental agreement was signed on 25 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**23,879**	28,588	**3,040**	3,722
Provision for impairment	**173**	–	**–**	–
Amounts written off during the year	**–**	(4,785)	**–**	(682)
Net exchange differences	**725**	76	**–**	–
At the end of the year	**24,777**	23,879	**3,040**	3,040

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	**500**	2,193
Listed equity securities in PRC, at fair value	**22,432**	100,247
	22,932	102,440

The above financial assets at fair value through profit or loss are classified as held for trading. The fair value of the Group's investments in listed securities has been determined by reference to their quoted bid prices at the reporting date.

Changes in fair values of the financial assets at fair value through profit or loss are recorded in other income/other operating expenses in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

23. TRADE RECEIVABLES

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

	Group	
	2010	2009
	HK$'000	HK$'000
0 – 90 days	**56,550**	5,448
91 – 180 days	**2,762**	1,475
181 – 270 days	**68,211**	879
271 – 360 days	**588**	884
Over 360 days	**1,250**	24,432
Trade receivables, gross	**129,361**	33,118
Less: Provision for impairment of receivables	**(10,583)**	(10,114)
Trade receivables, net	**118,778**	23,004

Trade receivables are due on presentation of invoices.

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	
	2010	2009
	HK$'000	HK$'000
At the beginning of the year	**10,114**	9,506
Provision for impairment	**115**	1,154
Amounts written off as uncollectible	**–**	(586)
Exchange differences	**354**	40
At the end of the year	**10,583**	10,114

At each reporting date, the Group's trade receivables are individually assessed for impairment. 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 its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

23. TRADE RECEIVABLES (Continued)

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

	Group	
	2010	2009
	HK$'000	HK$'000
0 – 90 days past due	**56,550**	5,448
91 – 180 days past due	**2,762**	1,475
181 – 270 days past due	**58,200**	879
271 – 360 days past due	**588**	884
Overdue for more than 360 days	**678**	14,318
	118,778	23,004

As at 31 December 2010 and 31 December 2009, no trade receivable was neither past due nor impaired.

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.

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 2010

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank and cash balances	**79,257**	78,654	**1,959**	1,096

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

Included in bank and cash balance of the Group is an aggregate amount of approximately HK$74,594,000 (2009: HK$75,841,000), which represented Renminbi ("RMB") 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 2010 and 31 December 2009.

25. TRADE PAYABLES

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

	Group	
	2010	2009
	HK$'000	HK$'000
0 – 90 days	**19,886**	6,045
91 – 180 days	**9,207**	4,234
181 – 270 days	**5,954**	13,041
271 – 360 days	**1,514**	148
Over 360 days	**6,573**	8,513
	43,134	31,981

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

26. OTHER PAYABLES AND ACCRUALS

Included in the Group's other payables and accruals at 31 December 2010 is HK$21,415,000 (2009: HK$25,431,000) 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.

27. LOAN TO/AMOUNT(S) DUE FROM/ (TO) ULTIMATE HOLDING COMPANY/A DIRECTOR/SHAREHOLDERS/SUBSIDIARIES/AN ASSOCIATE

(a) Amount due to a director

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

(b) Amounts due to shareholders

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

(c) Loan to/amount due from/(to) ultimate holding company

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Non-current assets				
Loan to ultimate holding company	**–**	1,544,576	**–**	390,972
Current assets				
Loan to ultimate holding company	**1,634,551**	–	**413,747**	–
Amount due from ultimate holding company	**–**	–	**235,693**	259,732
	1,634,551	–	**649,440**	259,732
Current liabilities				
Amount due to ultimate holding company	**(305,733)**	(174,811)	**–**	–

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27. LOAN TO/AMOUNT(S) DUE FROM/ (TO) ULTIMATE HOLDING COMPANY/A DIRECTOR/SHAREHOLDERS/SUBSIDIARIES/AN ASSOCIATE (Continued)

(c) Loan to/amount due from/(to) ultimate holding company (Continued)

Loan to ultimate holding company

Group and Company

On 29 May 2009, the Company and the Group entered into a loan agreement with its ultimate holding company to advance a loan of HK$529,584,000 and HK$1,645,530,000 respectively which bore interest at 6% per annum and would be repayable on or before 29 June 2011 and is secured by share mortgage of a fellow subsidiary.

As at 31 December 2009 and 31 December 2010, included in the balances of the Company and the Group, approximately HK$379,584,000 and HK$1,499,588,000 respectively with interest bearing 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

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

Company

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

(d) Amount due from/(to) an associate

	Group		**Company**	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'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**	5,505	**–**	–

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

28. BANK BORROWINGS, SECURED

At 31 December 2010, the bank borrowings, which are denominated in RMB, were repayable as follows:

	Group	
	2010 **HK$'000**	2009 HK$'000
Within one year	**–**	11,400
In the second years	**–**	11,400
In the third to fifth years	**–**	7,900
Wholly repayable within five years	**–**	30,700
Less: Portion due within one year under current liabilities	**–**	(11,400)
Portion due over one year under non-current liabilities	**–**	19,300

At 31 December 2010, the bank borrowings' interest rate profiles are as follows:

	Group	
	2010 **HK$'000**	2009 HK$'000
Floating rates		
– N/A (2009: 6.34%) per annum	**–**	30,700

The carrying amounts of the borrowings approximate their fair value.

29. DEFERRED TAX

At 31 December 2010, 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$6,071,000 and HK$381,487,000 (2009: HK$5,555,000 and HK$313,206,000) respectively. The amount of unrecognised deferred tax assets are as follows:

	Group		Company	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Tax effect of :				
– unused tax losses	**90,865**	72,824	**–**	–
	90,865	72,824	**–**	–

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 carry forward their tax losses indefinitely under the current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

30. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	HK$'000
Authorised :		
At 1 January 2009, 31 December 2009 and **31 December 2010**	30,000,000,000	300,000
Issued and fully paid :		
At 1 January 2009, 31 December 2009 and **31 December 2010**	19,914,504,877	199,145

31. 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.

At 31 December 2009, all share options were expired. No additional options were granted during the years ended 31 December 2010 and 31 December 2009.

There was no share-based compensation expense included in the income statement for the year ended 31 December 2010 and 31 December 2009. No liabilities were recognised due to share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

32. 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 37 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

	Share premium HK$'000	Capital redemption reserve HK$'000	General reserve (note a) HK$'000	Retained profits (note b) HK$'000	Total HK$'000
At 1 January 2009	39,194	2,258	79,579	936,059	1,057,090
Profit for the year	–	–	–	101,490	101,490
At 31 December 2009 and 1 January 2010	**39,194**	**2,258**	**79,579**	**1,037,549**	**1,158,580**
Profit for the year	**–**	**–**	**–**	**4,010**	**4,010**
At 31 December 2010	**39,194**	**2,258**	**79,579**	**1,041,559**	**1,162,590**

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$79,589,000 (2009: approximately HK$79,611,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

33. NON-CONTROLLING INTERESTS

	Note	2010 HK$'000	2009 HK$'000
At 1 January		**48,610**	66,534
Loss for the year		**(10,718)**	(9,009)
Released on disposal of subsidiaries	34	**–**	(9,034)
Net exchange differences		**1,090**	119
As at 31 December		**38,982**	48,610

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Business combination – acquisition of subsidiaries

In January 2010, the Company, through its subsidiary, entered into sales and purchases agreements to acquire 100% equity interest in a subsidiary, 北京中企動力廣告有限公司, which engages in corporate IT application services, for consideration of RMB1,000,000.

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.

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

	2010 HK$'000	2009 HK$'000
Cash consideration	**1,142**	11,356
Fair value of net liabilities assumed/(assets acquired)	**29,954**	(11,229)
Goodwill (note 19)	**31,096**	127

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

(a) Business combination – acquisition of subsidiaries (Continued)

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

	2010	
	Fair value HK$'000	**Acquiree's carrying amount HK$'000**
Property, plant and equipment	**4**	**5**
Other intangible assets	**1,796**	**1,120**
Available-for-sale financial assets	**144**	**1,941**
Deposits, prepayments and other receivables	**23,400**	**23,400**
Cash and cash equivalents	**410**	**410**
Accruals and other payables	**(55,708)**	**(55,708)**
Net liabilities assumed	**(29,954)**	**(28,832)**

None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The carrying amount from the acquisition in 2009 are as follows:

	2009 Acquiree's carrying amount HK$'000
Deposits, prepayments and other receivables	23,630
Cash and cash equivalents	117
Accruals and other payables	(12,518)
Net assets acquired	11,229

The goodwill of HK$31,096,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

(a) Business combination – acquisition of subsidiaries (Continued)

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

	2010 **HK$'000**	2009 HK$'000
Purchase considerations		
– Cash considerations	**1,142**	11,356
– Offset with other receivables	**–**	(11,242)
– Consideration payables	**(1,142)**	(114)
Settled in cash	**–**	–
Cash and cash equivalents in subsidiary acquired	**(410)**	(117)
Cash inflows on acquisitions	**(410)**	(117)

Since the acquisition, the subsidiary contributed HK$13,305,000 (2009: HK$351,000) to the Group's turnover and loss of HK$204,000 (2009: HK$3,988,000) to the consolidated loss for the year ended 31 December 2010 and 31 December 2009.

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$744,531,000 (2009: HK$427,004,000) and HK$92,466,000 (2009: HK$151,491,000) respectively. This pro forma information is for illustrative purposes only and its not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

The acquisition-related costs have been expensed and are included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

(b) Disposal and dissolution of subsidiaries

	2010 **HK$'000**	2009 HK$'000
Net assets disposed of :		
Goodwill (note 19)	**6**	–
Trade receivables	**80**	6
Deposits, prepayments and other receivables	**–**	24
Cash and cash equivalents	**–**	97
Non-controlling interests (note 33)	**–**	(9,034)
Other payables and accruals	**–**	(176)
Amounts due to group companies	**(465)**	–
Amount due to a minority shareholder	**–**	(12,000)
	(379)	(21,083)
Exchange reserve released on disposal and dissolution	**–**	(1,132)
General reserve released on disposal and dissolution	**–**	(4,246)
Net gain on disposal and dissolution of subsidiaries	**379**	26,461
	–	–
Satisfied by:		
Cash	**–**	–
Consideration receivable included in other receivables	**–**	–
	–	–

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

	2010 **HK$'000**	2009 HK$'000
Cash and cash equivalents disposed of	**–**	(97)
Cash consideration received	**–**	–
Net cash outflow on disposal	**–**	(97)

The subsidiaries disposed of consumed HK$194,000, HK$Nil and HK$Nil (2009: HK$43,000, HK$Nil and HK$Nil) of the Group's cash flows relating to operating, investing and financing activities respectively during the year ended 31 December 2010.

(c) Major non-cash transactions

During the year ended 31 December 2010, the Group had trade and other receivables of HK$153,513,000 (2009: HK$Nil) offset against the amount due to ultimate holding company in accordance with the debts assignment signed among these parties.

During the year ended 31 December 2009, the Group had trade and other receivables of HK$5,985,000 offset against the amount due to a director in accordance with the debts assignment signed among these parties.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35. 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$73,746,000 (2009: HK$61,818,000) 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 2010 and 2009.

36. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments and fees disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are 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
2010					
Executive directors					
YU Pun Hoi	–	120	6	–	126
CHEN Dan	–	827	65	–	892
LIU Rong	–	–	–	–	–
WANG Gang	–	–	–	–	–
Non-executive directors					
QIN Tian Xiang	120	–	–	–	120
LUO Ning	–	–	–	–	–
LAM Bing Kwan	–	–	–	–	–
Independent non-executive directors					
HUANG Yaowen	137	–	–	–	137
Prof. JIANG Ping	137	–	–	–	137
FUNG Wing Lap	120	–	–	–	120
	514	947	71	–	1,532

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for the year ended 31 December 2010

36. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (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
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 2010

36. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group for the year included one (2009: two) director, details of whose emoluments are set out above. The emoluments of the remaining four (2009: three) employees are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries, other allowances and benefits in kind	**2,010**	1,998
Pension contributions	**156**	24
	2,166	2,022

The emoluments of the five highest paid individuals, other than the director, fell within the following band:

Emolument band	Number of individuals	
	2010	2009
HK$Nil – HK$1,000,000	**4**	3

During the years ended 31 December 2010 and 31 December 2009, 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 2010 and 31 December 2009.

37. COMMITMENTS AND OPERATING LEASE

(a) Capital commitments

At 31 December 2010, the Group had outstanding capital commitments as follows :

	Group	
	2010 HK$'000	2009 HK$'000
Contracted but not provided for in respect of:		
– construction in progress	**144,452**	177,358

At 31 December 2010 and 31 December 2009, the Company did not have any significant capital commitments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

37. COMMITMENTS AND OPERATING LEASE (Continued)

(b) Operating lease arrangement

At 31 December 2010, the Group and the Company's total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows :

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**24,705**	23,252	**97**	113
In the second to fifth years	**15,727**	8,699	**–**	97
	40,432	31,951	**97**	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 (2009: one to three years) and two years (2009: two years) 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.

At 31 December 2010, the Group's total future minimum lease receivables under non-cancellable operating leases in respect of land and buildings are as follows :

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**–**	3,800
In the second to fifth years	**–**	4,750
	–	8,550

For the year ended 31 December 2009, the Group leases its investment property (note 14) under operating lease arrangements which run for an initial period of three 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 2010 and 31 December 2009, the Company had no outstanding operating lease arrangements as a lessor.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

38. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
A subsidiary	**–**	–	**–**	30,700
An associate (note)	**13,982**	13,197	**13,982**	13,197
Third parties (note)	**65,531**	65,370	**65,531**	65,370
	79,513	78,567	**79,513**	109,267

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 40(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.

39. CREDIT FACILITIES

As at 31 December 2010 and 31 December 2009, the Group's credit facilities were secured by the following :

(a) charge over interest in leasehold land (note 15) with a net carrying value of approximately HK$Nil (2009: HK$23,990,000);

(b) charge over buildings with a net carrying value of approximately HK$Nil (2009: HK$18,435,000);

(c) charge over financial assets at fair value through profit or loss with a net carrying value of approximately HK$500,000 (2009: HK$2,193,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

40. 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 Investment Limited ("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 Technology Group Company Limited ("CE Dongli Technology"), 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 Technology 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 directors, after discussion with legal advisers, considered that it would not incur a material outflow of resources as a result of the above matters.

41. RELATED PARTY TRANSACTIONS

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 36.

Included in other interest income of HK$92,881,000 (2009: HK$116,243,000), HK$89,975,000 (2009: HK$110,971,000) was interest income from ultimate holding company.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

42. 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 Board from time to time identifies ways to access financial markets and monitors the Group's financial risk exposures.

42.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale financial assets	**473**	324	**324**	324
Financial assets at fair value through profit or loss	**22,932**	102,440	**–**	–
Loans and receivables:				
– Loan to ultimate holding company	**1,634,551**	1,544,576	**–**	390,972
– Trade receivables	**118,778**	23,004	**–**	–
– Other receivables	**220,660**	356,396	**762**	740
– Amount due from ultimate holding company	**–**	–	**649,440**	259,732
– Amounts due from subsidiaries	**–**	–	**948,509**	946,880
– Amount due from an associate	**–**	–	**15,663**	15,663
Cash and cash equivalents	**79,257**	78,654	**1,959**	1,096
	2,076,651	2,105,394	**1,616,657**	1,615,407

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

42.1 Categories of financial assets and liabilities (Continued)

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Trade payables	**43,134**	31,981	**–**	–
– Other payables and accruals	**109,953**	107,769	**4,034**	3,338
– Amount due to ultimate holding company	**305,733**	174,811	**–**	–
– Amount due to a director	**32,374**	41,664	**159,999**	159,999
– Amounts due to subsidiaries	**–**	–	**192,477**	192,671
– Amounts due to shareholders	**5,006**	5,006	**5,005**	5,005
– Amount due to an associate	**5,505**	5,505	**–**	–
– Bank borrowings	**–**	30,700	**–**	–
	501,705	397,436	**361,515**	361,013

42.2 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 in Renminbi 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

42.3 Cash flow interest rate risk

The Group is exposed to interest rate risk through the impact of interest rate changes on interest bearing bank borrowings carrying interests at variable rates and cash and cash equivalents. Borrowings and cash and cash equivalents carried at variable rates expose the Group to cash flow interest rate risk. The Group will review whether bank loans bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of bank borrowings and cash and cash equivalents of the Group are disclosed in note 28 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 arise.

Cash-flow interest rate risk sensitivity

At 31 December 2010, the Group was exposed to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates. The following table illustrates the sensitivity of the (loss)/profit for the year and retained earnings to a change in interest rates of +100 basis points and –100 basis points (2009: +100 basis points and –100 basis points), 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	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
If interest rates were 100 basis points (2009: 100 basis points) higher Decrease/Increase in (loss)/profit for the year	**634**	474	**19**	11
If interest rates were 100 basis points (2009: 100 basis points) lower Increase/Decrease in (loss)/profit for the year	**(634)**	(474)	**(19)**	(11)

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

42.4 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 15% has been observed in 2010 (2009: 23%). If the quoted price for the Group's listed equity securities existing as at 31 December 2010 increased or decreased by that amount, loss for the year and retained earnings would have decreased/increased and increased/decreased respectively by HK$3,365,000 (2009: HK$23,459,000) 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 month period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

42.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. As at 31 December 2010, 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 38.

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 23 and 21 respectively.

42.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the ability to close-out market positions. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

42.6 Liquidity risk (Continued)

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 payments computed using contractual rates 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:

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 2010					
Trade payables	**43,134**	**43,134**	**43,134**	**–**	**–**
Other payables and accruals	**109,953**	**109,953**	**109,953**	**–**	**–**
Amount due to ultimate holding company	**305,733**	**305,733**	**305,733**	**–**	**–**
Amount due to a director	**32,374**	**32,374**	**32,374**	**–**	**–**
Amounts due to shareholders	**5,006**	**5,006**	**5,006**	**–**	**–**
Amount due to an associate	**5,505**	**5,505**	**5,505**	**–**	**–**
	501,705	**501,705**	**501,705**	**–**	**–**
Financial guarantee issued Maximum amount guaranteed	**–**	**79,513**	**79,513**	**–**	**–**

	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 guarantee issued Maximum amount guaranteed	–	78,567	78,567	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

42.6 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 2010			
Other payables and accruals	**4,034**	**4,034**	**4,034**
Amounts due to subsidiaries	**192,477**	**192,477**	**192,477**
Amount due to a director	**159,999**	**159,999**	**159,999**
Amounts due to shareholders	**5,005**	**5,005**	**5,005**
	361,515	**361,515**	**361,515**
Financial guarantees issued			
Maximum amount guaranteed	**–**	**79,513**	**79,513**

	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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

42.7 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/ultimate holding company/associate. Analysis of the interest rate and carrying amounts of borrowings are presented in note 28 to the financial statements.

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 asset 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 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
As at 31 December 2010				
Assets				
Available-for-sale financial assets	**–**	**324**	**149**	**473**
Listed securities held for trading	**22,932**	**–**	**–**	**22,932**
Total fair values	**22,932**	**324**	**149**	**23,405**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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

42.7 Fair value (Continued)

	Group			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2009				
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, 2 and 3 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

43. CAPITAL MANAGEMENT

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 current and previous years.

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**	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Current liabilities				
– Bank borrowings	**–**	11,400	**–**	–
Non-current liabilities				
– Bank borrowings	**–**	19,300	**–**	–
Total debt	**–**	30,700	**–**	–
Less: Cash and cash equivalents	**(79,257)**	(78,654)	**(1,959)**	(1,096)
Net debt	**(79,257)**	(47,954)	**(1,959)**	(1,096)
Total equity	**2,075,385**	2,158,830	**1,361,735**	1,357,725
Total equity plus net debt	**1,996,128**	2,110,876	**1,359,776**	1,356,629
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 2010 HK$'000	Year ended 31 December 2009 HK$'000	Year ended 31 December 2008 HK$'000	Year ended 31 December 2007 HK$'000	Year ended 31 December 2006 HK$'000
Revenue/Turnover	**742,744**	427,004	439,032	666,109	619,273
(Loss)/Profit for the year	**(90,575)**	(151,491)	(91,266)	692,765	(183,518)
Non-controlling interests	**10,718**	9,009	14,729	(2,965)	(16,745)
(Loss)/Profit attributable to the owners of the Company	**(79,857)**	(142,482)	(76,537)	689,800	(200,263)
Total assets	**2,772,509**	2,697,658	2,624,499	2,796,543	2,177,009
Total liabilities	**(697,124)**	(538,828)	(301,192)	(345,881)	(353,687)
	2,075,385	2,158,830	2,323,307	2,450,662	1,823,322

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