THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about the Offer, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **S & D International Development Group Limited (the "Company")**, you should at once hand this document, together with the enclosed form of acceptance and transfer to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

HONG SHENG GROUP LIMITED

(Incorporated in the British Virgin Islands with limited liability)

S & D INTERNATIONAL DEVELOPMENT GROUP LIMITED

基仕達國際發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8148)

Unconditional mandatory general offer by Grand Cathay Securities (Hong Kong) Limited on behalf of Hong Sheng Group Limited for all the issued shares of HK$0.01 each in S & D International Development Group Limited (other than those Shares already owned by Hong Sheng Group Limited and parties acting in concert with it)

Joint financial advisers to Hong Sheng Group Limited

Nuada Limited
Corporate Finance Advisory

大華證券(香港)有限公司
GRAND CATHAY SECURITIES (HONG KONG) LIMITED

Independent financial adviser to the independent board committee of S & D International Development Group Limited

VEDA | CAPITAL
智略資本

A letter from the board of directors of the Company is set out on pages 4 to 9 of this document. A letter from Grand Cathay Securities (Hong Kong) Limited containing, among other things, the details of the terms of the Offer (as defined herein) is set out on pages 10 to 16 of this document.

A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders containing its recommendations in respect of the Offer is set out on page 17 of this document.

A letter from Veda Capital Limited containing its recommendations to the Independent Board Committee in respect of the Offer is set out on pages 18 to 32 of this document.

The procedures for acceptance and settlement of the Offer are set out on pages 33 to 34 in Appendix I to this document and in the Form of Acceptance (as defined herein). Acceptances of the Offer should be received by Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Friday, 4 July 2008 or such later time and/or date as Hong Sheng Group Limited may determine and announce in accordance with the Takeovers Code (as defined herein).

The Composite Offer Document will be available for inspection on the website of the Stock Exchange at http://www.hkex.com.hk and on the website of the Company at www.sddevelop.com as long as the Offer remain open.

13 June 2008

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

Given the emerging nature of companies listed on GEM there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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	2008 (*Note 1*)
Offer commences	Friday, 13 June
Closing date of the Offer *(Note 2)*	Friday, 4 July
Latest time for acceptance of the Offer on the closing date *(Note 2)*	4:00 p.m. on Friday, 4 July
Announcement of the results of the Offer and the level of acceptances or as to whether the Offer has been revised or extended posted on the Stock Exchange's website as at closing date	not later than 7:00 p.m. on Friday, 4 July
Latest time for posting of remittances to the Shareholders in respect of valid acceptances of the Offer lodged on or before 4 July 2008, being the closing date of the Offer	Friday, 11 July

Notes:

1. All times and dates refer to Hong Kong local times and dates.

2. The Offer, which is unconditional, will be closed on Friday, 4 July 2008 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange's website by 7:00 p.m. on Friday, 4 July 2008 stating the results of the Offer or as to whether the Offer has been revised or extended or in relation to any extension of the Offer, to state also either the next closing date or that the Offer will remain open until further notice. In the event that the Offeror decides to extend the Offer until further notice, at least 14 days' notice in writing will be given, before the Offer is closed, to those Independent Shareholders who have not accepted the Offer.

3 Remittances in respect of the cash consideration after deducting the seller's ad valorem stamp duty payable for the Shares tendered under the Offer will be posted as soon as possible, but in any event within 10 days after the receipt of the duly completed Form(s) of Acceptance and all relevant documents by the Registrar from the Independent Shareholders accepting the Share Offer.

4 Acceptance of the Offer shall be irrevocable and not capable of being withdrawn except as permitted under the Takeovers Code.

In this document, unless the context otherwise requires, the following expressions shall have the following meanings:

"Announcement"	the announcement dated 21 May 2008 jointly made by the Offeror and the Company containing, among others, details of the Offer
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"associates"	has the meaning ascribed thereto under the GEM Listing Rules
"Board"	board of Directors
"Business Day(s)"	a day (other than a Saturday or Sunday and days on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Company"	S & D International Development Group Limited (Stock Code: 8148), incorporated in the Cayman Islands with limited liabilities and the issued Shares of which are listed on GEM
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the S&P Agreement
"Completion Date"	26 May 2008, being the date falling on the third Business Day after all the conditions set out in the S&P Agreement have been fulfilled (or such other date as may be agreed between the parties to the S&P Agreement)
"Composite Offer Document"	this composite offer and response document dated 13 June 2008 jointly issued by Hong Sheng Group Limited and the Company in relation to the Offer in accordance with the Takeovers Code
"Consideration"	HK$37 million, being the consideration for the sale and purchase of the Sale Shares
"Directors"	directors of the Company
"Dollars" or the sign "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Escrow Agent"	the legal adviser to the Offeror on Hong Kong laws which is jointly and irrevocably appointed by the Purchaser and the Vendor under the Escrow Letter for the purpose of holding the Consideration (excluding the Deposit (as defined below)) in escrow under the terms and conditions of the Escrow Letter

"Escrow Letter"	the escrow letter dated 9 May 2008 and entered into among the Purchaser, the Vendor and the Escrow Agent, in relation to the appointment of the Escrow Agent for the holding of the Consideration (excluding the Deposit (as defined below))
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Form(s) of Acceptance"	the accompanying form(s) of acceptance and transfer in respect of the Offer
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Grand Cathay"	Grand Cathay Securities (Hong Kong) Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, which makes the Offer on behalf of the Offeror and is one of the joint financial advisers to the Offeror in respect of the Offer
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Shareholders"	Shareholders other than the Offeror or parties acting in concert with it
"Independent Board Committee"	a committee of the Board, comprising Mr. Chan Cheong Yee, Mr. Ronald Garry Hopp and Mr. Yip Tai Him, all being the independent non-executive Directors, constituted to advise the Independent Shareholders in relation to the Offer
"Last Trading Day"	21 March 2007, being the trading day immediately prior to the suspension of trading in the Shares on the Stock Exchange since 22 March 2007
"Latest Practicable Date"	10 June 2008, being the latest practicable date prior to the printing of this Composite Offer Document for the purpose of ascertaining certain information contained herein
"Mainland China" or "PRC"	the People's Republic of China, which for the purpose of the S&P Agreement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Nuada"	Nuada Limited, a licensed corporation for Type 6 (advising on corporate finance) regulated activity under the SFO, and one of the joint financial advisers to the Offeror in respect of the Offer

"Offer"	the unconditional mandatory cash offer made by Grand Cathay on behalf of the Offeror to the Independent Shareholders (other than the Offeror and parties acting in concert with it) for their Shares in compliance with the Takeovers Code
"Offer Price"	the offer price of HK$0.271 per Offer Share pursuant to the Offer
"Offer Share(s)"	issued Share(s) other than those Shares already owned by the Offeror and parties acting in concert with it
"Overseas Shareholder(s)"	Independent Shareholders whose registered addresses shown on the register of members of the Company are outside Hong Kong
"Purchaser" or "Offeror"	Hong Sheng Group Limited
"Registrar"	Tricor Tengis Limited, 26th Floor, Tebury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"SFC"	the Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"S&P Agreement"	the agreement dated 9 May 2008 and entered into between the Purchaser and the Vendor for the sale and purchase of the Sale Shares
"Sale Shares"	the 136,545,828 Shares registered in the name of and beneficially owned by the Vendor representing approximately 68.27% of the entire issued share capital of the Company as at the date of the S&P Agreement
"Share(s)"	shares of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers, as amended from time to time
"Veda Capital"	Veda Capital Limited, a licensed corporation for Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee as to whether the Offer is, or is not fair and reasonable
"Vendor"	S&D Holdings Group Limited
"%"	per cent.

S & D INTERNATIONAL DEVELOPMENT GROUP LIMITED

基仕達國際發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8148)

Executive Directors:
Mrs. Tinna Chan Yee
Mrs. Sana Bakhtiar Ahmed
Mr. Henry Dicker Yee
Mr. Tan Shu Jiang

Independent non-executive Directors:
Mr. Chan Cheong Yee
Mr. Ronald Garry Hopp
Mr. Yip Tai Him

Registered Office:
Cricket Square
Hutchins Drive, P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
Room 2801
28/F China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

13 June 2008

To the Shareholders

Dear Sir or Madam,

Unconditional mandatory general offer by
Grand Cathay Securities (Hong Kong) Limited
on behalf of
Hong Sheng Group Limited
for all the issued shares of HK$0.01 each in
S & D International Development Group Limited
(other than those Shares already owned by Hong Sheng Group Limited
and parties acting in concert with it)

INTRODUCTION

On 21 May 2008, the Company announced that the Offeror has entered into the S&P Agreement with the Vendor on 9 May 2008, pursuant to which the Offeror conditionally agreed to purchase and the Vendor conditionally agreed to sell an aggregate of 136,545,828 Shares at a total consideration of HK$37,000,000 (equivalent to approximately HK$0.271 per Share). The Sale Shares represent approximately 68.27% of the issued share capital of the Company as at the Latest Practicable Date. The S&P Agreement was completed on 26 May 2008.

The Consideration shall be satisfied by Purchaser in the following manner:

(1) the deposit of HK$1,000,000 (the "**Deposit**") had been paid to the Vendor on 14 May 2008;

(2) part payment of the Consideration in the sum of HK$17,500,000 (the "**Part Payment**") had been paid at Completion, and such sum had been settled by the release of such part of the Escrow Money (as defined below) equal to the Part Payment to the Vendor by the Escrow Agent in accordance with the terms of the Escrow Letter; and

(3) the balance of the Consideration in the sum of HK$18,500,000 (the "**Balance**") shall be paid (i) within 2 Business Days from the date of despatch of the Composite Offer Document; or (ii) the date falling four months after the Completion Date (whichever is earlier), and such sum shall be settled by the release of the remaining balance of the Escrow Money (together with interests accrued thereon).

Under the S&P Agreement, the Purchaser had, on or before 16 May 2008, deposited an amount of HK$36,000,000 in cash sufficient to satisfy fully the Consideration (less the Deposit) (the "**Escrow Money**") to the Escrow Agent which amount shall be held in escrow by the Escrow Agent and shall only be released strictly in accordance with the terms of the Escrow Letter. In accordance with the terms of the Escrow Letter, the Part Payment (together with the interest accrued thereon) had been released to the Vendor forthwith on 26 May 2008 upon receipt of a notice in writing confirming that the Completion had taken place and the Balance (together with the interest accrued thereon) shall be released to or to the order of the Vendor within two business days after the date of receipt of a notice in writing (the "**Balance Release Notice**") confirming the despatch to the Shareholders of the Composite Offer Document, provided that if no Balance Release Notice is received by the Escrow Agent on the date falling four months after the Completion Date, the Balance (together with the interest accrued thereon) shall, in any event, be released by the Escrow Agent to or to the order of the Vendor forthwith on the date falling four months after the Completion Date without the need for the Escrow Agent to receive any notice (including the Balance Release Notice) from the Vendor and/or the Purchaser. The parties to the S&P Agreement had, upon signing of the S&P Agreement, entered into the Escrow Letter with the Escrow Agent in respect of the holding and release of the Escrow Money.

As at the Latest Practicable Date, there are 200,000,000 Shares in issue, and the Company does not have any outstanding warrants, options, derivatives or securities convertible into or exchangeable for Shares. Immediately prior to Completion, the Offeror and parties acting in concert with it did not hold any Shares in the Company. Immediately following the Completion, the Offeror and parties acting in concert with it own an aggregate of 136,545,828 Shares, representing approximately 68.27% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror and parties acting in concert with it are required under Rule 26.1 of the Takeovers Code to make unconditional mandatory cash offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it. Nuada and Grand Cathay have been appointed as the joint financial advisers to the Offeror in relation to the Offer.

The terms of the Offer are set out under the section headed "Unconditional Mandatory General Offer" below.

The purpose of this Composite Offer Document is to provide you with, among other things, (i) the information relating to the Group, the Offeror and the Offer; (ii) the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders in respect of the Offer; and (iii) the letter from Veda Capital containing its advice to the Independent Board Committee in respect of the Offer.

UNCONDITIONAL MANDATORY GENERAL OFFER

Principal terms of the Offer

Grand Cathay, on behalf of the Offeror, is making the Offer in compliance with the Takeovers Code on the following basis:

for each Offer Shares . . . . HK$0.271 in cash

Comparison of value

The price of HK$0.271 for each Offer Share is the same as the price agreed to be paid by Purchaser for each Sale Share under the S&P Agreement and represents:

(a) a discount of approximately 12.58% to the closing price of HK$0.310 per Share as quoted by the Stock Exchange on the Last Trading Day;

(b) a premium of HK$0.301 per Share over the audited consolidated net liability value per Share of approximately HK$0.030 (based on the audited consolidated balance sheet of the Group as at 31 December 2007 and 200,000,000 Shares in issue as at 31 December 2007 and as at the Latest Practicable); and

(c) a premium of HK$0.3185 per Share over the unaudited consolidated net liability value per Share of approximately HK$0.0475 (based on the unaudited first quarterly results of the Group as at 31 March 2008 and 200,000,000 Shares in issue as at 31 March 2008 and as at the Latest Practicable Date.

Taking into account the aggregate of 136,545,828 Shares acquired by the Offeror and parties acting in concert with it, 63,454,172 Offer Shares are subject to the Offer.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it have not received any irrevocable commitment to accept the Offer.

Prior to the entering into of the S&P Agreement, the Offeror and parties acting in concert with it did not have any shareholding interest in the Company and did not have interest in any outstanding warrants, options, derivatives or securities convertible into or exchangeable for Shares.

Save for the entering into of the S&P Agreement, there have been no dealings in the Shares by the Offeror and parties acting in concert with it during the six month period immediately prior to the date of the S&P Agreement and up to the Latest Practicable Date.

As at the Latest Practicable Date, (i) there is no outstanding derivatives in respect of the securities of the Company entered into by the Offeror or parties acting in concert with it; (ii) there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offer; and (iii) there is no agreement or arrangement to which the Offeror was a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

Total consideration for the Offer

As at the Latest Practicable Date, there are 200,000,000 Shares in issue. Based on the offer price of HK$0.271 per Offer Share, the entire issued share capital of the Company is valued at HK$54.2 million and the Sale Shares are valued at approximately HK$37.0 million. In the event that the Offer is fully accepted, the aggregate amount payable by the Offeror will be approximately HK$17.2 million.

Nuada and Grand Cathay are satisfied that there are sufficient financial resources available to the Offeror to meet the Consideration (less the Deposit and the Part Payment) and the full acceptance of the Offer.

INFORMATION ON THE GROUP

The Company, incorporated in the Cayman Islands with limited liability, and its issued Shares are listed on GEM. The Group is principally engaged in the information localization business, custom-made solutions and trading of computer equipment.

Based on the 2007 annual report of the Company, the net loss attributable to equity holders of the Company for the years ended 31 December 2006 and 2007 were approximately HK$11.25 million and HK$5.38 million respectively. The audited consolidated net asset value of the Group as at 31 December 2006 was approximately HK$0.83 million, while the audited consolidated net liability value of the Group as at 31 December 2007 was approximately HK$5.93 million. There has been no material change to principal businesses of the Group as stated above since 31 December 2007. Based on the first quarterly report 2008 of the Company, the Group recorded unaudited net loss of approximately HK$2.71 million for the three months ended 31 March 2008, and the Group had total assets of approximately HK$24.5 million and total liabilities of approximately HK$34.0 million as at 31 March 2008.

INFORMATION ON THE OFFEROR

Your attention is drawn to the sections headed "Information on the Offeror" and "Intentions of the Offeror regarding the Company" in the letter from Grand Cathay as set out on pages 13 to 14 of this Composite Offer Document.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror has no intention to privatize the Company. The Offeror intends to maintain the listing of the Shares on GEM. The Company, the Directors and the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the Shares will be held by the public at all times.

Pursuant to the GEM Listing Rules, the Company is required to maintain the public float which is a minimum prescribed percentage of 25% of the issued Shares to be in the hands of the public. Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 22 March 2007. On 18 May 2007, the Company further issued an announcement in relation to the high concentration of shareholding and insufficient public float. As at the Latest Practicable Date, the Company fails to comply with the public float requirement under Rule 11.23 of the GEM Listing Rules.

The Stock Exchange has requested the Company to submit a viable resumption proposal to address the issues pertaining to the suspension and demonstrate that the Company has a sufficient level of operations and management expertise on the business pursuits to warrant the continued listing of the Shares. Further, given the circumstances of the Company, the proposal must demonstrate the Company's compliance with the GEM Listing Rules and all applicable laws and regulations, including restoration of the public float. The Company is required to (i) address concerns raised by the auditors of the Company through the qualification of their audit report on the financial statements of the Company published after suspension of the Company since 22 March 2007; and (ii) demonstrate that the Company has in place adequate financial reporting system and internal control procedures to enable the Company to meet its continuing obligations under the GEM Listing Rules. In particular, the Company should appoint an independent accounting firm to perform a review of the internal control system of the Group and take remedial actions to rectify any control failings or weaknesses, if any, identified by the independent accounting firm. The Company has yet to provide the information as required by the Stock Exchange. Trading in the Shares will continue to be suspended until further notice.

GENERAL

Your attention is drawn to the detailed terms of the Offer and the additional information set out in the Appendices to this Composite Offer Document, which form part of the Composite Offer Document.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this Composite Offer Document. Your attention is also drawn to the letter of advice from Veda Capital which contains, among other things, their advice to the Independent Board Committee in respect of the terms of the Offer and the principal factors and reasons considered by it in arriving at such advice. The text of the letter from Veda Capital is set out from pages 18 to 32 of this Composite Offer Document.

By Order of the Board
S & D International Development Group Limited
Mrs. Tinna Chan Yee
Executive Director

大華證券(香港)有限公司
GRAND CATHAY SECURITIES (HONG KONG) LIMITED

香港中環花園道3號中國工商銀行大廈7樓705至6室
Rm 705–6, 7/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
Tel: (852) 2521 2982 Fax: (852) 2918 9838 www.gcsc.com.tw

13 June 2008

To the Independent Shareholders

Dear Sir or Madam,

Unconditional mandatory general offer by
Grand Cathay Securities (Hong Kong) Limited
on behalf of
Hong Sheng Group Limited
for all the issued shares of HK$0.01 each in
S & D International Development Group Limited
(other than those Shares already owned by Hong Sheng Group Limited
and parties acting in concert with it)

INTRODUCTION

On 21 May 2008, the Company announced that the Offeror has entered into the S&P Agreement with the Vendor on 9 May 2008, pursuant to which the Offeror conditionally agreed to purchase and the Vendor conditionally agreed to sell an aggregate of 136,545,828 Shares at a total consideration of HK$37,000,000 (equivalent to approximately HK$0.271 per Share) on 9 May 2008. The Sale Shares represent approximately 68.27% of the issued share capital of the Company as at the Latest Practicable Date. The S&P Agreement was completed on 26 May 2008.

Immediately prior to Completion, the Offeror and parties acting in concert with it did not hold any Shares in the Company. Immediately following the Completion, the Offeror and parties acting in concert with it owned an aggregate of 136,545,828 Shares, representing approximately 68.27% of the issued share capital of the Company. Accordingly, the Offeror and parties acting in concert with it are required under Rule 26.1 of the Takeovers Code to make unconditional mandatory cash offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it. Nuada and Grand Cathay have been appointed as the joint financial advisers to the Offeror in relation to the Offer.

This letter sets out details of the terms of the Offer, information on the Offeror and the intentions of the Offeror regarding the Group. Further details of the terms of the Offer are set out under the section headed "The Offer" below, in Appendix I to this Composite Offer Document and in the accompanying Form(s) of Acceptance.

THE OFFER

Principal terms of the Offer

Grand Cathay is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

for each Offer Shares . . . . HK$0.271 in cash

As at the Latest Practicable Date, there are 200,000,000 Shares in issue, and there are no outstanding warrants or options or derivatives or securities convertible into Shares. Taking into account the aggregate of 136,545,828 Shares owned by the Offeror parties acting in concert with it, 63,454,172 Offer Shares are subject to the Offer. The Offeror did not have interest in any outstanding warrants or options or derivatives or securities convertible into Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, (i) there was no outstanding derivatives in respect of the securities of the Company entered into by the Offeror or parties acting in concert with it; (ii) there was no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offer; and (iii) there was no agreement or arrangement to which the Offeror was a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer. As at the Latest Practicable Date, none of the Offeror and parties acting in concert with it had received any irrevocable commitment to accept the Offer.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding existed whereby any securities to be acquired pursuant to the Offer will be transferred, charged or pledged to any other persons.

Comparison of value

The price of HK$0.271 for each Offer Share is the same as the price paid by Purchaser for each Sale Share under the S&P Agreement and represents:

(a) a discount of approximately 12.58% to the closing price of HK$0.310 per Share as quoted by the Stock Exchange on the Last Trading Day,;

(b) a premium of HK$0.301 per Share over the audited consolidated net liability value per Share of approximately HK$0.030 (based on the audited consolidated balance sheet of the Group as at 31 December 2007 and 200,000,000 Shares in issue as at 31 December 2007 and as at the Latest Practicable Date); and

(c) a premium of HK$0.3185 per Share over the unaudited consolidated net liability value per Share of approximately HK$0.0475 (based on the unaudited first quarterly results of the Group as at 31 March 2008 and 200,000,000 Shares in issue as at 31 March 2008 and as at the Latest Practicable Date.

Total consideration for the Offer

As at the Latest Practicable Date, there are 200,000,000 Shares in issue. Based on the offer price of HK$0.271 per Offer Share, the entire issued share capital of the Company is valued at HK$54.2 million and the Sale Shares are valued at approximately HK$37.0 million. In the event that the Offer is fully accepted, the aggregate amount payable by the Offeror will be approximately HK$17.2 million.

Nuada and Grand Cathay are satisfied that there are sufficient financial resources available to the Offeror to meet the Consideration (less the Deposit and the Part Payment) and the full acceptance of the Offer.

Conditions of the Offer

The Offer is unconditional.

Effect of accepting the Offer

By accepting the Offer, the accepting Shareholders will sell their Shares and all rights attached to them to the Offeror on or after the date of acceptance (which shall be on or after the date of the composite document in relation to the Offer to be posted to the Shareholders).

Stamp Duty

Stamp duty arising from or in connection with acceptance of the Offer amounting to of HK$1 for every HK$1,000 (or part thereof) of the amount payable in respect of relevant acceptances by the Shareholders, or the market value of the Shares, whichever is greater, will be deducted from the amount payable to the Shareholders who accept the Offer. The Offeror will then pay such stamp duty deducted to the Stamp Office of the Inland Revenue Department of Hong Kong.

Settlement of the consideration

The amounts due to the Shareholders who accept the Offer should be paid by the Offeror to the Shareholders as soon as possible but in any event within 10 days of the date of receipt of a duly completed and valid Form(s) of Acceptance in accordance with the Takeovers Code.

Dealing in Shares

Save for the S&P Agreement, there have been no dealings in the Shares by the Offeror and parties acting in concert with it during the six month period immediately prior to the date of the S&P Agreement and up to the Latest Practicable Date.

Compulsory acquisition

The Offeror and parties acting in concert with it do not intend to exercise any right which may be available to it to acquire compulsorily any outstanding issued Shares not acquired under the Offer after it is closed.

INFORMATION ON THE GROUP

The Company, incorporated in the Cayman Islands with limited liability, and its issued Shares are listed on GEM. The Group is principally engaged in the information localization business, custom-made solutions and trading of computer equipment.

Based on the 2007 annual report of the Company, the net loss attributable to equity holders of the Company for the years ended 31 December 2006 and 2007 were approximately HK$11.25 million and HK$5.38 million respectively. The audited consolidated net asset value of the Group as at 31 December 2006 was approximately HK$0.83 million, while the audited consolidated net liability value of the Group as at 31 December 2007 was approximately HK$5.93 million. There has been no material change to principal businesses of the Group as stated above since 31 December 2007. Based on the first quarterly report 2008 of the Company, the Group recorded unaudited net loss of approximately HK$2.71 million for the three months ended 31 March 2008, and the Group had total assets of approximately HK$24.5 million and total liabilities of approximately HK$34.0 million as at 31 March 2008.

INFORMATION ON THE OFFEROR

The Offeror is incorporated in the British Virgin Islands on 29 February 2008 and has not commenced carrying on any business (save for the entering into of the S&P Agreement) and will be an investment holding company. The entire issued share capital of the Offeror is beneficially and ultimately owned as to 51% by Mr. Cheung Yuping and as to 49% by Ms. Cai Dongmei. The Offer is to be financed by internal resources of the Offeror.

Mr. Cheung Yuping, Ms. Cai Dongmei and Mr. Yu Shu Kuen are the directors of the Offeror as at the Latest Practicable Date.

Mr. Cheung Yuping has extensive experience in consultancy business of energy, information technology related projects and property investment in the PRC. He graduated at Harbin Institute of Technology, the PRC with a degree in construction engineering. Mr. Cheung has been running his consultant business with offices both in Shenzhen and Hong Kong. Prior to starting his own business, he was an official in Jilin Municipal Government from 1982 to 2000, where extensive connections and experience in the industry were developed. Currently, he is also an adjunct professor in the Shenzhen Graduate School of Harbin Institute of Technology.

Ms. Cai Dongmei has very extensive experience in financial and administration management, particularly in the manufacturing business in the PRC. She has been in the industry of manufacturing of electrical and electronic appliances for more than twenty years and she also holds investment in an electrical and electronic parts manufacturing company in Singapore. Currently, she is a shareholder as well as the finance director of a major electrical and electronic appliances manufacturing group in the PRC.

INTENTIONS OF THE OFFEROR REGARDING THE COMPANY

It is the intention of the Offeror that the existing business activities of the Group will remain unchanged and will be continually operated. The Offeror has no intention to make any material changes to the employees or management of the Group or to dispose of or redeploy any material assets (including fixed assets) or businesses of the Group other than in its ordinary course of business, and has no intention to inject any material assets or businesses into the Group as at the date of the Announcement. As at the Latest Practicable Date, the Offeror intends to nominate two new Directors to the Board and any appointment of new Directors will be made in compliance with the Takeovers Code and the GEM Listing Rules. It is intended that all existing Directors will resign and any resignation of existing Directors will be made in compliance with the Takeovers Code and the GEM Listing Rules.

Save for the Sale Shares, neither the Offeror, its beneficial owners nor parties acting in concert with any of them holds any Shares or any options, warrants, derivatives or securities convertible into or exchangeable for Shares. Save for the S&P Agreement, neither the Offeror, its beneficial owners nor parties acting in concert with any of them has dealt in any Shares or any options, warrants, derivatives or securities convertible into or exchangeable for Shares during the period commencing on the date falling six months immediately prior to the date of the S&P Agreement and up to the Latest Practicable Date.

The Offeror will explore other business opportunities and consider whether any assets and/or business acquisitions will be appropriate so as to enhance the growth of the Group. In the event that any development opportunities materialised, further announcement will be made by the Company pursuant to the GEM Listing Rules.

Meanwhile, the Offeror will conduct a review of business operation and financial position of the Group for the purpose of formulating business plans and strategies for streamlining in the existing business operation and improve the financial position of the Group and for the future business development of the Group. Subject to the result of the aforesaid review and should suitable investment or business opportunities arises, the Offeror may consider diversifying the business of the Group with an objective to broaden its income source. However, no such investment or business opportunities have been identified as at the Latest Practicable Date.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror has no intention to privatise the Company. The Offeror intends to maintain the listing of the Shares on the Stock Exchange. The Company, the Directors and the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the Shares will be held by the public at all times.

Pursuant to the GEM Listing Rules, the Company is required to maintain the public float which is a minimum prescribed percentage of 25% of the issued Shares to be in the hands of the public. Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9: 30 a.m. on 22 March 2007. On 18 May 2007, the Company issued an announcement in relation to the high concentration of shareholding and insufficient public float. As at the Latest Practicable Date, the Company fails to comply with the public float requirement under Rule 11.23 of the GEM Listing Rules.

The Stock Exchange has requested the Company to submit a viable resumption proposal to address the issues pertaining to the suspension and demonstrate that the Company has a sufficient level of operations and management expertise on the business pursuits to warrant the continued listing of the Shares. Further, given the circumstances of the Company, the proposal must demonstrate the Company's compliance with the GEM Listing Rules and all applicable laws and regulations, including restoration of the public float. The Company is required to (i) address concerns raised by the auditors of the Company through the qualification of their audit report on the financial statements of the Company published after suspension of the Company since 22 March 2007; and (ii) demonstrate that the Company has in place adequate financial reporting system and internal control procedures to enable the Company to meet its continuing obligations under the GEM Listing Rules. In particular, the Company should appoint an independent accounting firm to perform a review of the internal control system of the Group and take remedial actions to rectify any control failings or weaknesses, if any, identified by the independent accounting firm. The Company has yet to provide the information as required by the Stock Exchange. Trading in the Shares will continue to be suspended until further notice.

The Offeror and the Company will use their respective best endeavours to restore the public float and to provide the resumption proposal as required by the Stock Exchange as soon as reasonably practicable.

FURTHER TERMS OF THE OFFER

Further terms and conditions of the Offer, including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to the Composite Offer Document and in the Form of Acceptance.

GENERAL

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

The attention of the Overseas Shareholders is drawn to the section headed "Overseas Shareholders" in Appendix I to the Composite Offer Document.

Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from Veda Capital set out in the Composite Offer Document.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to the Composite Offer Document, which form part of the Composite Offer Document.

Yours faithfully,
For and on behalf of
Grand Cathay Securities (Hong Kong) Limited
Kevin Chan
Director

S & D INTERNATIONAL DEVELOPMENT GROUP LIMITED

基仕達國際發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8148)

13 June 2008

To the Independent Shareholders

Dear Sir or Madam,

Unconditional mandatory general offer by
Grand Cathay Securities (Hong Kong) Limited
on behalf of
Hong Sheng Group Limited
for all the issued shares of HK$0.01 each in
S & D International Development Group Limited
(other than those Shares already owned by Hong Sheng Group Limited
and parties acting in concert with it)

The Independent Board Committee refers to the composite offer document dated 13 June 2008 (the "Composite Offer Document") issued jointly by the Offeror and the Company, of which this letter forms part. Terms defined in the Composite Offer Document shall have the same meanings in this letter unless the context otherwise requires.

The Independent Board Committee has been established to give a recommendation to the Independent Shareholders in respect of the Offer. We, being the members of the Independent Board Committee, have declared that we are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and make recommendations to the Independent Shareholders. Veda Capital has been appointed as the independent financial adviser to advise us in this respect.

Your attention is drawn to the "Letter from the Board" and the "Letter from Grand Cathay" in this Composite Offer Document and the "Letter from Veda Capital" setting out its advice to us regarding the Offer in this Composite Offer Document. Having considered the advice given in the letter from Veda Capital, we concur with advice of Veda Capital that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to accept the Offer.

Notwithstanding our recommendations, the Independent Shareholders should consider carefully the terms and conditions of the Offer.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Chan Cheong Yee	**Mr. Ronald Garry Hopp**	**Mr. Yip Tai Him**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee in relation to the Offer, which has been prepared for the purpose of inclusion in this Composite Offer Document.

VEDA | CAPITAL
智略資本

Veda Capital Limited
Suite 1302, 13/F, Takshing House
20 Des Voeux Road Central
Hong Kong

13 June 2008

To the Independent Board Committee of
S & D International Development Group Limited

Dear Sirs,

Unconditional mandatory general offer by
Grand Cathay Securities (Hong Kong) Limited
on behalf of
Hong Sheng Group Limited
for all the issued shares of HK$0.01 each in
S & D International Development Group Limited
(other than those Shares already owned by Hong Sheng Group Limited
and parties acting in concert with it)

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Offer, details of which are set out in the "Letter from the Board" and "Letter from Grand Cathay" contained in this composite offer and response document (the "Composite Offer Document") dated 13 June 2008 to the Independent Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context requires otherwise.

On 21 May 2008, the Company announced that the Offeror has entered into the S&P Agreement with the Vendor on 9 May 2008, pursuant to which the Offeror conditionally agreed to purchase and the Vendor conditionally agreed to sell an aggregate of 136,545,828 Shares at a total consideration of HK$37,000,000 (equivalent to approximately HK$0.271 per Share). The Sale Shares represented approximately 68.27% of the issued share capital of the Company as at the date of the Announcement and the Latest Practicable Date. Completion took place on 26 May 2008. Upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 136,545,828 Shares, representing approximately 68.27% of the issued share capital of the Company as at the Latest Practicable Date.

Accordingly, Grand Cathay, on behalf of the Offeror, is making a mandatory unconditional general offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. The Offer will be made solely in cash. Detailed terms and conditions of the Offer, including the procedures for acceptance, are set out in the Composite Offer Document, in particular in "Letter from the Board", "Letter from Grand Cathay" and Appendix I to the Composite Offer Document.

The Independent Board Committee (comprising three independent non-executive Directors namely Mr. Chan Cheong Yee, Mr. Ronald Garry Hopp and Mr. Yip Tai Him) has been formed to advise the Independent Shareholders on the terms of the Offer. The three independent non-executive Directors have declared that they are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and make recommendation to the Independent Shareholders. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee in respect of the Offer and such appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Composite Offer Document and provided to us by the Company, the Directors and the management of the Company. All information, opinions and representations contained or referred to in the Composite Offer Document should have been ensured to be true and accurate at the time when they were made and at the date of the Composite Offer Document and will continue to be true during the period of the Offer remains open for acceptance and should there be any material changes thereto, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Composite Offer Documents were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Offer Document to provide a reasonable basis for our opinion and recommendation. Having made all reasonable enquiries, the Directors have confirmed that, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Composite Offer Document, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or the Offeror.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders arising from acceptances or non-acceptances of the Offer as these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

In formulating our opinion, we have made reference to the subject companies of the Comparable Offers (as defined hereafter), which are listed on GEM or main board of the Stock Exchange for analysis purpose. We have assumed the truthfulness and accuracy of the information available to us regarding the Comparable Offers. We have not, however, carried out any independent verification of the information available to us regarding the subject companies of the Comparable Offers, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of these companies. Our opinion are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Offer and in giving our recommendation to the Independent Board Committee, we have taken into account the following principal factors and reasons:

Historical financial performance of the Group

The Company, incorporated in Cayman Islands with limited liability, and its issued Shares are listed on GEM. The Group is principally engaged in the information localization business, custom-made solutions and trading of computer equipment.

Financial year 2006 versus financial year 2005

For the year ended 31 December 2006, the Group recorded turnover of approximately HK$0.72 million, representing a substantial decrease of approximately 81% from that for the year ended 31 December 2005 of approximately HK$3.76 million. According to annual report (the "2006 Annual Report") of the Company for the year ended 31 December 2006, the significant decrease in turnover was mainly attributable to the downsizing of the business segments in the sales of general software business, licensing fee and custom-made solution. Net loss attributable to Shareholders for the year ended 31 December 2006 was approximately HK$11.25 million whereas for the year ended 31 December 2005, the Group recorded a net loss attributable to the Shareholders of approximately HK$38.37 million.

Financial year 2007 versus financial year 2006

For the year ended 31 December 2007, the Group recorded turnover of approximately HK$3.45 million, representing a significant increase of approximately 382% from the turnover of the previous year of approximately HK$0.72 million. The increase in revenue was mainly attributable to the increase of the business segments in the sales of custom-made solution and trading of computer equipment. Compared to the net loss attributable to the Shareholders for the year ended 31 December 2006 of approximately HK$11.25 million, net loss attributable to the Shareholders narrowed by approximately 52.2% to approximately HK$5.38 million for the year ended 31 December 2007. As stated in the annual report ("2007 Annual Report") of the Company for the year ended 31 December 2007, the management has put stringent efforts to reduce the operating costs to reduce expenses and losses of the Group. The Group has taken a more pragmatic and lower risk approach to penetrate the market in a step by step manner in order to well strike the balance of expense and revenue. Thus, the Group has re-structured the operation to cut-down unnecessary expenses at the same time. However, such measures were not able to eliminate the accumulated losses of the Group.

Three months ended 31 March 2008 versus three months ended 31 March 2007

As for the three months ended 31 March 2008, turnover of the Group was approximately HK$1.27 million, representing a significant increase of approximately 323% compared to the turnover for the three months ended 31 March 2007 of approximately HK$0.3 million since the turnover for trading of computer equipment and provision of custom-made solutions increased by approximately HK$0.5 million and approximately HK$0.47 million respectively for the three months ended 31 March 2008. Loss attributable to the Shareholders for the three months ended 31 March 2008 was approximately HK$2.71 million, representing a worsening off of approximately 311.7% from the loss attributable to the Shareholders of approximately HK$0.66 million for the same period in 2007. The widening loss for the three months ended 31 March 2008 was mainly due to the increase in general administrative expenses in the amount of approximately HK$2.39 million, the substantial part of which was related to professional service fees rendered for the preparation of the resumption proposal of the Company for resumption of trading of the Shares on GEM.

Qualified opinions for the three years ended 31 December 2005, 2006 and 2007

The attention of the Independent Shareholders should be drawn to fact that the opinions of the auditors of the Company on the consolidated financial statements of the Group for the three years ended 31 December 2005, 2006 and 2007 respectively were qualified due to the fundamental uncertainty and limitation of audit scope.

According to the independent auditors' report as contained in the annual report of the Company for the year ended 31 December 2007, evidence available to the auditors was limited as follows: (1) limitation of audit scope relating to recoverability of deposits for acquisition of certain subsidiaries of the Company; (2) limitation of audit scope relating to absence of relevant financial information of associate of the Company so that it was impracticable to quantify the effect on the consolidated financial statements of the departures from Hong Kong Accounting Standard 28; (3) limitation of audit scope relating to the lack of sufficient reliable evidence for certain trade and other receivables of the Group so that no satisfactory audit procedures could be performed to determine the appropriateness of the impairment loss and write-off;

(4) limitation of audit scope relating to the lack of bank confirmations and other sufficient reliable evidence so that no satisfactory audit procedures could be performed to determine whether balance of cash and cash equivalents were fairly stated; (5) limitation of audit scope relating to the lack of sufficient reliable evidence so that no satisfactory audit procedures could be performed to determine whether the carrying amounts of certain trade and other payables and other loan payable were fairly stated; (6) limitation of audit scope relating to the fact that no confirmation had been received from the bank to substantiate the Group's bank loan and the relevant interest payable and the relevant interest expenses and there was no other satisfactory evidence available to confirm that these balances and expenses had been correctly recorded; (7) limitation of audit scope relating to loss of contact with certain former Directors so that no direct confirmations from these former Directors could be obtained and no practical alternative audit procedures could be performed to support whether amounts due to former Directors as at year end and their remunerations for the year were fairly stated; (8) limitation of audit scope relating to incomplete books and records of certain subsidiaries so that the auditors were unable to carry out adequate audit procedures that minority interests for these subsidiaries in the financial statements were fairly stated; (9) limitation of audit scope relating to certain prior year audit scope limitations affecting opening balances; (10) limitation of audit scope relating to the scope limitations in respect of (1), (3), (4), (5), (6), (7) and (9) above so that it could not be determined whether the impairment losses against the carry amounts of such interests in subsidiaries and amounts due from subsidiaries for the year and the net carrying amounts of interest in subsidiaries and amounts due from subsidiaries and notes thereon were fairly stated; and (11) material uncertainty relating to the going concern basis.

According to the independent auditor's report as contained in the annual report of the Company for the year ended 31 December 2006, evidence available to the auditors was limited as follows: (1) limitation of audit scope relating to the absence of sufficient reliable evidence as to the Group's ownership of investment funds and whether impairment of investment funds as at year end was necessary; (2) limitation of audit scope relating to absence of sufficient reliable evidence as to the ownership and recoverability of deposits for acquisition of subsidiaries as at year end; (3) limitation of audit scope relating to absence of sufficient reliable evidence as to whether the impairment of goodwill arose from the acquisition of associate as at year end was necessary; (4) limitation of audit scope relating to absence of sufficient reliable evidence as to whether the impairment of goodwill arose from the acquisition of a subsidiary was necessary; (5) limitation of audit scope relating to absence of sufficient reliable evidence for the auditors to carry out adequate audit procedures to satisfy themselves that impairment loss and other disclosures in the financial statements related to the property, plant and equipment were fairly stated; (6) limitation of audit scope relating to the lack of sufficient reliable evidence for certain trade and other receivables of the Group so that no satisfactory audit procedures could be performed to determine whether the impairment loss and write-off were fairly stated; (7) limitation of audit scope relating to the lack of bank confirmations and other sufficient reliable evidence so that no satisfactory audit procedures could be performed to determine whether balance of cash and cash equivalents were fairly stated; (8)

limitation of audit scope relating to the lack of sufficient reliable evidence so that no satisfactory audit procedures could be performed to determine whether the carrying amounts of certain trade and other payables and other loan payable were fairly stated; (9) limitation of audit scope relating to loss of contact with certain former Directors so that no direct confirmations from these former Directors could be obtained and no practical alternative audit procedures could be performed to support whether amounts due to former Directors as at year end and their remunerations for the year were fairly stated; (10) limitation of audit scope relating to incomplete books and records of certain subsidiaries so that the auditors were unable to carry out adequate audit procedures that minority interests for these subsidiaries in the financial statements were fairly stated; (11) limitation of audit scope relating to the scope limitations in respect of (2) to (9) above so that it could not be determined whether the impairment losses against the carry amounts of such interests in subsidiaries and amounts due from subsidiaries for the year and the net carrying amounts of interest in subsidiaries and amounts due from subsidiaries and notes thereon were fairly stated; and (12) material uncertainty relating to the going concern basis.

According to the auditors' report as contained in the annual report of the Company for the year ended 31 December 2005, evidence available to the auditors was limited as follows: (i) limitation of audit scope relating to investment funds of approximately HK$16.4 million held in custody by an independent third party due to the absence of sufficient documentary evidence to assess whether any impairment loss is required to be recognized in respect of such investment funds; (ii) limitation of audit scope relating to a deposit paid to an independent third party for acquisition of two target companies due to the absence of evidence for the ability and commitment of such independent third party to complete the transactions and the absence of sufficient documentary evidence as to the Company's ownership and to assess whether any impairment loss is required to be recognized in respect of such deposit; (iii) limitation of audit scope relating to goodwill of approximately of HK$9.7 million arising from the acquisition of a subsidiary due to the absence of sufficient documentary evidence to assess whether any impairment loss is required to be recognized in respect of the goodwill; (iv) limitation of audit scope relating to absence of sufficient documentary evidence to assess whether any impairment is required to be recognized in respect of a subsidiary's goodwill arising from acquisition of equity interest in an associate of approximately HK$3.4 million; and (v) fundamental uncertainty relating to the going concern basis.

Because of the significance of the matters described in the independent auditor's reports contained in the annual reports, the auditors do not express opinions on the consolidated financial statements as to whether they gave true and fair views of the state of affairs of the Group and of the Company as at 31 December 2005, 2006 and 2007 respectively and of the Group's loss and cash flows for the years then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainties relating to going concern

The Group incurred a consolidated net loss attributable to Shareholders of approximately HK$5.38 million for the year ended 31 December 2007 and had a consolidated net current liabilities of approximately HK$28.97 million and consolidated net liabilities of approximately HK$5.93 million as at 31 December 2007. As stated in the independent auditors' report in the 2007 Annual Report, the consolidated financial statements had been prepared on a going concern basis, the validity of which was dependent on the successful outcome for the Group's current negotiations (the "Negotiations") with its banker and prospective investors to secure continual financial support and obtain new working capital in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirement. The uncertainties surrounding the outcome of these negotiations raise significant doubt about the Group's ability to continue as a going concern. As advised by the Company, save for the change in controlling Shareholder on 26 May 2008 as detailed in the Composite Offer Document so that the Company would carry on the Negotiations with the Offeror, there has been no material change in the above negotiations and the financial position of the Group since 31 December 2007. We considered that the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are quite unfavourable that the Offer would reasonably provide a chance for the Independent Shareholders to dispose of their vested interests in the Shares.

Future prospects

Despite the Directors considered that the market opportunities exist in the PRC market with upcoming large-scale international events, such as the Beijing 2008 Olympic Games and Expo 2010 Shanghai as mentioned in the 2007 Annual Report, given the deficits in Shareholders' equity, the heavy indebtedness and thin working capital of the Group as well as the lack of financial support from banker, it is uncertain as to whether the Group would be able to improve its trading prospects or turnaround from its existing difficult financial position within a short period of time in the absence of further fund raising exercises and/or new business initiative.

The Offer

Pursuant to Rule 26.1 of the Takeovers Code, Grand Cathay, on behalf of the Offeror, is making the Offer on the following basis:

For each Offer Share . . . . HK$0.271 in cash

The Offer Price of HK$0.271 for each Offer Share is the same as the price payable by the Offeror for each Sale Share under the S&P Agreement and represents:

(a) a discount of approximately 12.58% to the closing price of HK$0.310 per Share as quoted by the Stock Exchange on the Last Trading Day;

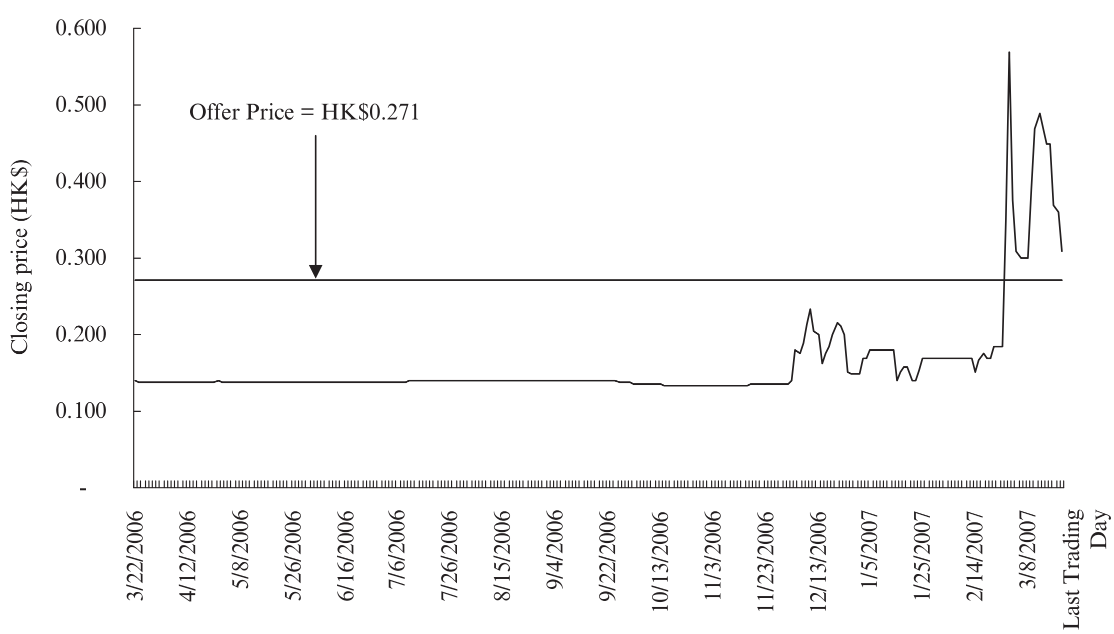
(b) a premium of approximately HK$0.301 per Share over the audited consolidated net liability value per Share of approximately HK$0.030 based on the audited consolidated balance sheet of the Group as at 31 December 2007 and the 200,000,000 Shares in issue as at 31 December 2007 and as at the Latest Practicable Date; and

(c) a premium of HK$0.3185 per Share over the unaudited consolidated net liability value per Share of approximately HK$0.0475 (based on the unaudited first quarterly results of the Group as at 31 March 2008 and the 200,000,000 Shares in issue as at 31 March 2008 and as at the Latest Practicable Date).

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the "Letter from Grand Cathay" and Appendix I to the Composite Offer Document.

Historical Share Price Performance

Trading in the Shares on the Stock Exchange has been suspended (the "Suspension") since 22 March 2007 at the request of the Company. The graph below illustrates the closing price level of the Shares during the period from 22 March 2006 to 21 March 2007 (being the 12-month period prior to and including the Last Trading Day prior to the Suspension) (the "Review Period").

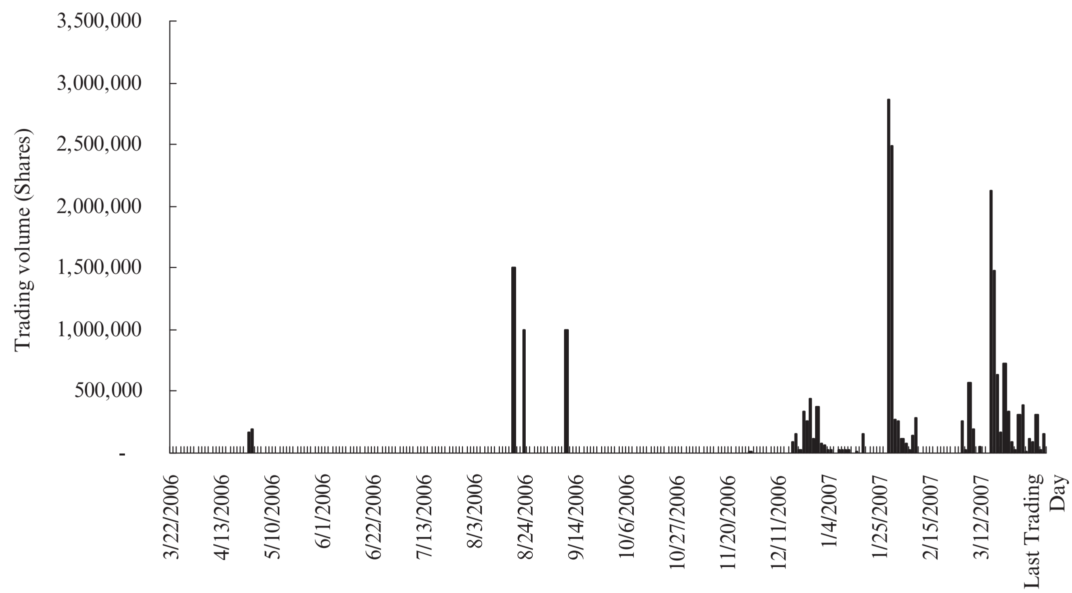


Note: Trading in the Shares was suspended between 17 May and 5 June 2006, on 22 June 2006, between 24 November and 1 December 2006, between 26 and 27 February 2007.

During the Review Period, the closing price of the Shares ranged from the lowest of HK$0.133 per Share (recorded between 25 October and 16 November 2006) to the highest of HK$0.57 (recorded on 1 March 2007). The Offer Price is above the closing prices of the Shares during the Review Period except from 28 February 2007 onwards until the Last Trading Day. We also note that the Offer Price represents a premium of approximately 67.1% over the daily average closing price of the Shares of approximately HK$0.1622 per Share during the Review Period. However, Independent Shareholders should note that due to the prolonged Suspension of more than a year, the comparison of the Offer Price against the closing price on the Last Trading Day may be of little relevance.

Liquidity of the Shares

The graph and table below set out (i) daily trading volume of the Shares; and (ii) average daily number of Shares traded per month and the respective percentages of monthly trading volume compared to the issued share capital and the Shares held by the Independent Shareholders respectively during the Review Period.



	Number of trading days *(Days)*	Average daily trading volume *(Shares)*	Percentage to the total number of issued Shares *(%) (Note 1)*	Percentage to the number of issued Shares held by the Independent Shareholders *% (Note 2)*
2006				
March (since 22 March)	8	0	0	0
April	17	21,765	0.0109	0.0532
May	20	0	0	0
June	22	0	0	0
July	21	0	0	0
August	23	108,696	0.0543	0.2656
September	21	47,619	0.0238	0.1164
October	20	0	0	0
November	22	455	0.0002	0.0011
December	19	109,474	0.0547	0.2675
2007				
January	22	304,400	0.1522	0.7438
February	18	178,889	0.0894	0.4371
March (up to the Last Trading Day)	15	325,973	0.1630	0.7965

Notes:

1. Based on 200,000,000 Shares in issued as at the Latest Practicable Date.

2. Based on 40,925,688 issued Shares held by the Independent Shareholders as at the Latest Practicable Date.

3. Trading in the Shares was suspended between 17 May and 5 June 2006, on 22 June 2006, between 24 November and 1 December 2006, between 26 and 27 February 2007.

As illustrated in the table above, the trading volume of the Shares during the Review Period had been extremely thin. During the period from 22 March 2006 up to the Last Trading Day, the highest daily average trading monthly volume amounted to approximately 325,973 Shares during the month of March 2008 (up to the Last Trading Day), representing approximately 0.163% of the total number of issued Shares and approximately 0.7965% of the number of Shares held by the Independent Shareholders respectively. For the 248 trading days during the Review Period, there were 194 trading days with no trading of Shares, representing approximately 78.22% of the total number of trading days during the Review Period. In our view, the liquidity of the

Shares had been extremely low before the Suspension and there may not be sufficient liquidity in the Shares for the Independent Shareholders to dispose of their Shares in the open market even if trading in the Shares were not suspended.

Other fundamental analysis of the Offer Price

Other commonly used benchmarks in evaluating share price of a listed company include price to earnings ratio, price to book ratio and dividend yield. However, given that the Group recorded net loss and no dividend has been declared for the financial year ended 31 December 2007 and recorded net liabilities as at 31 December 2007, none of the aforesaid commonly used benchmarks is applicable for the purpose of evaluating the Offer Price.

Comparable analysis

In assessing the fairness and reasonableness of the Offer Price, we have identified 11 comparable companies which are principally engaged in similar line of business as the Group, i.e. information localization business, custom-made solutions and trading of computer equipment and with current market capitalisation of less than HK$550 million which is around ten times of the value the Company based on the Offer Price of approximately HK$54.2 million. Two of the comparable companies were the subject of cash offers during the Review Period and thereafter up to and including the Latest Practicable Date. The Company also has been the subject of another cash offer as announced on 1 December 2006. The following table summarised the relevant details of these cash offers of the comparable companies and the previous cash offer of the Company (altogether, the "Comparable Offers"):

Company (stock code)	Principal activities	Date of announcement	Offer price	Closing price as at the last trading day	Premium/(discount) of offer price over/(to) closing price as at the last trading day	Premium/(discount) of offer price over/(to) latest published net asset value per share
			(HK$)	*(HK$)*	*(%)*	*(%)*
Shine Software (Holdings) Limited (currently known as China Leason Investment Group Company, Limited) (8270)	Development of sales of software relating to securities and financial industries in the PRC; sales of hardware; provision of repairs and maintenance and other technical support services; and manufacture and sales of liquefied coalbed gas	30 Mar 06	0.021142	0.08	(73.6)	(73.2)
Zhongtian International Limited (2379)	System integration, customised software products, sale of hardware and software products and maintenance and other services	13 Feb 07	0.10	0.175	(42.86)	(73.12)

Company (stock code)	Principal activities	Date of announcement	Offer price *(HK$)*	Closing price as at the last trading day *(HK$)*	Premium/(discount) of offer price over/(to) closing price as at the last trading day *(%)*	Premium/(discount) of offer price over/(to) latest published net asset value per share *(%)*
The previous cash offer of the Company		1 Dec 06	0.136	0.135	0.7	204.3
The Offer		**21 May 08**	**0.271**	**0.31**	**(12.58)**	**Premium of approximately HK$0.3185 per Share over the latest net liabilities per Share**

The table above shows that two out of the three Comparable Offers had the offer prices set at discounts to their respective closing prices as quoted on the last trading day prior to the date of the relevant announcements. The comparison ranges from a discount of approximately 73.6% to a premium of approximately 0.7%. The Offer Price of HK$0.271 represents a discount of 12.58% to the closing price of the Shares as at the Last Trading Day, which is within the range of comparison of the Comparable Offers. However, given the prolonged Suspension of more than a year, we considered that the comparison of the Offer Price against the closing price on the Last Trading Day may be of little relevance.

Two out of three Comparable Offers had the offer price set at discounts to the latest net asset value prior to the publication of the announcements in relation to the offers. The comparison ranges from a discount of approximately 73.2% to a premium of approximately 204.3%. The Offer Price of HK$0.271 represents a premium of approximately HK$0.3185 per Share over the latest net liabilities per Share of approximately HK$0.0475 per Share as at 31 March 2008 whereas the offer price of the previous cash offer of the Company represents a premium of only approximately HK$0.0913 over the then latest net asset value per Share. In this regard, we consider the Offer Price is attractive and is fair and reasonable so far as the Independent Shareholders are concerned.

Background of the Offeror and its intention regarding the future of the Group

(a) Information on the Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. Save for entering into the S&P Agreement, the Offeror has not conducted any business since its incorporation. The entire issued share capital of the Offeror is beneficially and ultimately owned as to 51% by Mr. Cheung Yuping and as to 49% by Ms. Cai Dongmei. Mr. Cheung Yuping, Ms. Cai Dongmei and Mr. Yu Shu Kuen are the directors of the Offeror as at the Latest Practicable Date.

(b) Intention of the Offeror

As stated in the "Letter from Grand Cathay", it is the intention of the Offeror to continue the existing business activities of the Group. The Offeror will explore other business opportunities and consider whether any assets and/or business acquisitions will be appropriate so as to enhance the growth of the Group.

The Offeror will conduct a review of business operation and financial position of the Group for the purpose of formulating business plans and strategies for streamlining in the existing business operation and improve the financial position of the Group and for the future business development of the Group. Subject to the result of the aforesaid review and should suitable investment or business opportunities arises, the Offeror may consider diversifying the business of the Group with an objective to broaden its income source. However, no such investment or business opportunities have been identified as at the Latest Practicable Date.

The Offeror has no intention to privatise the Company. The Offeror intends to maintain the listing of the Shares on the Stock Exchange. The Company, the Directors and the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the Shares will be held by the public at all times. Pursuant to the GEM Listing Rules, the Company is required to maintain the public float which is a minimum prescribed percentage of 25% of the issued Shares to be in the hands of the public. Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 22 March 2007. On 18 May 2007, the Company issued an announcement in relation to the high concentration of shareholding and insufficient public float. As at the Latest Practicable Date, the Company fails to comply with the public float requirement under Rule 11.23 of the GEM Listing Rules. Trading in the Shares on the Stock Exchange will remain suspended until, among others, the Company is able to demonstrate that it has a sufficient level of operation to warrant the continued listing of the Shares under Rule 17.26 of the GEM Listing Rules and that it is able to restore its public float under Rule 11.23 of the GEM Listing Rules. The Offeror and the Company will use their respective best endeavours to restore the public float as soon as reasonably practicable. As such, we consider that there should not be any material changes on the business operations and the listing status of the Group immediately following the close of the Offer. Given the Suspension for over 15 months and the fact that the public float of the Company was not restored as at the Latest Practicable Date, we considered the Offer provides a viable exit for the Independent Shareholders immediately upon commencement of the Offer and during the period of the Offer remains open for acceptance.

(c) Directors and management

As stated in the "Letter from Grand Cathay", save for the resignation of the existing Directors as referred to in the section headed "Intentions of the Offeror regarding the Company" in the "Letter from Grand Cathay", the Offeror had, at the Latest Practicable Date, no intention to make any material changes to the existing employees or management of the Group or to dispose of or re-deploy any material assets (including fixed assets) or businesses of the Group other than in its ordinary course of business, and has no intention to inject any material assets or businesses into the Group as at the Latest Practicable Date. It is intended that all existing Directors will resign and any resignation of existing Directors will be made in compliance with the Takeovers Code and the GEM Listing Rules.

The Offeror intends to nominate two new Directors to the Board and as at the Latest Practicable Date, these two new Directors have not been identified by the Offeror, so that we are not in a position to opine whether the new Directors may or may not have the directly relevant experience in the industry for which the Group is currently principally engaged.

Recommendation

Taking into consideration the above-mentioned principal factors and reasons of the Offer, being:

(i) the Independent Shareholders are treated even-handedly by the Offeror who is offering to acquire the Shares of the Independent Shareholders at the Offer Price of HK$0.271 per Share, which is equivalent to the consideration paid by the Offeror under the S&P Agreement divided by the total number of Sale Shares;

(ii) the continuous loss making situation of the Group during the three financial years ended 31 December 2005, 2006 and 2007 and three months ended 31 March 2008;

(iii) the material uncertainties relating to the ability of the Group to continue as a going concern and the Offer would reasonably provide a chance for the Independent Shareholders to dispose of their vested interest in the Shares;

(iv) the trading liquidity of the Shares has been extremely thin during the Review Period;

(v) the Offer Price of HK$0.271 represents a premium of approximately HK$0.3185 per Share over the latest net liabilities per Share of approximately HK$0.0475 per Share as at 31 March 2008 whereas the offer price of the previous cash offer of the Company represents a premium of only approximately HK$0.0913 over the then latest net asset value per Share and the other Comparable Offers had offer price set at discounts to the then latest net asset value per Share;

(vi) there should not be any material changes on the business operations and the listing status of the Group immediately following the close of the Offer;

(vii) the new Directors to be appointed to the Board is not yet available and it is not possible to ascertain whether they may or may not have the directly relevant experience in the industry for which the Company is currently principally engaged; and

(viii) the Suspension has been for over 15 months and the fact that the public float of the Company was not restored as at the Latest Practicable Date while the Offer provides a viable exit for the Independent Shareholders immediately upon commencement of the Offer and during the period of the Offer remains open for acceptance,

we are of the opinion that the Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

Independent Shareholders should note the possibility that, following the close of the Offer and the resumption of trading in the Shares (including after restoring the minimum public float of the Company), the price of the Shares may or may not be higher than the Offer Price. If any Independent Shareholders are able to identify other potential purchaser to purchase the Shares at a price higher than the Offer Price, such Independent Shareholders shall consider not accepting the Offer and should seek to sell their Shares if they are able to do so.

Those Independent Shareholders who, after considering the information on the Offeror and the future intention of the Offeror regarding the Company, are attracted by the future prospects of the Company following the Offer, should consider retaining some or all of their Shares.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong — *Managing Director*

Julisa Fong — *Executive Director*

1. PROCEDURES FOR ACCEPTANCE

The Offer

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares are in your name, and you wish to accept the Offer, you must send the duly completed relevant Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any indemnity or indemnities required in respect thereof, to the Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in any event not later than 4:00 p.m. on 4 July 2008 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are in the name of a nominee company or some name other than your own, and you wish to accept the Offer whether in full or in respect of part of your holding of Shares, you must either:

(a) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, with the nominee company, or other nominee, and with instructions authorizing it to accept the Offer on your behalf and requesting it to deliver the relevant Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title to the Registrar; or

(b) arrange for the Shares to be registered in your name by the Company through the Registrar and send the relevant Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title to the Registrar; or

(c) if your Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer in your securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or

(d) if your Shares have been lodged with your Investor Participant's Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instruction given, should be returned to the Registrar.

If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to any of Grand Cathay, Nuada, the Company, the Offeror or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificates to the Registrar and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it/they were delivered to the Registrar with the relevant Form of Acceptance.

An acceptance may not be counted as valid unless:

(a) it is received by the Registrar on or before the latest time for acceptance on the closing date at 4:00 p.m. on Friday, 4 July 2008 (or a later date which may be amended later) and the Registrar has recorded that the acceptance and any relevant documents required under paragraph (b) below have been so received; and

(b) the Form of Acceptance is duly completed and is: (i) accompanied by Share certificate(s) in respect of the relevant Shares and, if that/those Share certificate(s) is/are not in the name of the acceptor, such other documents (e.g. a duly stamped transfer of the relevant Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish the right of the acceptor to become the registered holder of the relevant Shares; or (ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other subparagraph of this paragraph (b)); or certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT

The Offer

Provided that the Form(s) of Acceptance and relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar by not later than 4:00 p.m. on Friday, 4 July 2008 being the latest time for acceptance of the Offer, a cheque for the amount due to the accepting Shareholders in respect of the Shares tendered by them under the Offer, less seller's ad valorem stamp duty payable by them, will be despatched to the accepting Shareholders to the addresses specified on the Forms of Acceptance by ordinary post at their own risk within 10 days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Shareholder(s) is/are entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer has previously been revised, the latest time and date for acceptance will be 4:00 p.m. on Friday, 4 July 2008. The Offeror reserves the right to revise the Offer after the despatch of the Composite Offer Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises its terms, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

If the Offer is revised, the announcement of such revision will state the next closing date. If the Offer is revised, it will remain open for acceptance for a period of not less than 14 days from the posting of the revised offer document.

In order to be valid, Form(s) of Acceptance for the Offer must be received by the Registrar and must be received by the Company in accordance with the instructions printed thereon by 4:00 p.m. on Friday, 4 July 2008.

4. ANNOUNCEMENTS

By 6:00 p.m. on Friday, 4 July 2008, which is the closing date of the Offer, or such later time and/or date as the Executive may in exceptional circumstances permit, the Offeror must inform the Executive and the Stock Exchange of its decisions in relation to revision, extension, expiry of the Offer. The Offeror shall publish an announcement to be posted on the Stock Exchange's website by 7:00 p.m. on the closing date of the Offer stating whether the Offer has been revised or extended, have expired. The announcement shall specify the number of Shares and rights over Shares (a) for which valid acceptances have been received, (b) held, controlled or directed by the Offeror or persons acting in concert with it before the offer period; and (c) acquired or agreed to be acquired by the Offeror or any person acting in concert with it during the offer period.

The announcement will specify the percentages of the relevant classes of share capital, and the percentages of voting rights of the Company represented by these numbers of Shares.

5. RIGHT OF WITHDRAWAL

Acceptances of the Offer by the Independent Shareholders shall be irrevocable and cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the section headed "Announcement" above, the Executive may require that acceptors be granted a right of withdrawal on terms acceptable to the Executive until such requirements can be met.

6. STAMP DUTY

Hong Kong stamp duty at a rate of HK$1.00 for every HK$1,000 (or part thereof) of the amount payable which is based on the number of accepted Shares and the market value of the Share or the offer price of the Share (at the discretion of the Collector of Stamp Duty) in respect of relevant acceptances will be deducted from the consideration payable to the accepting Shareholders. The Offeror will then, on behalf of the accepting Shareholders, pay such amount to the Inland Revenue Department of Hong Kong. The Offeror will also pay stamp duty payable by it as purchaser of the Shares pursuant to the Share Offer based on the gross consideration payable to the accepting Shareholders in respect of the Share Offer.

7. TAXATION

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their accepting the Offer. It is emphasised that none of the Offeror, Grand Cathay or Nuada or any of their respective directors or any persons involved in the Offer accept responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offer.

8. OVERSEAS SHAREHOLDERS

The making of the Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdiction. Overseas Shareholders should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirement. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements.

9. GENERAL

(i) Acceptance of the Offer by any person or persons holding Shares will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offer are sold by any such person or persons free from all liens, charges, encumbrances, equities and third party rights and together with all rights attaching thereto, including the right to receive all dividends and distributions declared, made or paid on or after their acceptance of the Offer.

(ii) All communications, notices, Forms of Acceptance, Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, through post at their own risk, and none of the Offeror, the Company, Grand Cathay, Nuada or the Registrar or any of their respective agents, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(iii) The provisions set out in the Form of Acceptance form part of the terms of the Offer.

(iv) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(v) Due execution of a Form of Acceptance will constitute an authority to the Company, the Offeror, any director of the Offeror, Grand Cathay, Nuada or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.

(vi) References to the Offer in the Composite Offer Document and in the Form of Acceptance shall include any revision thereof.

(vii) The English text of the Composite Offer Document and of the Form of Acceptance shall prevail over their respective Chinese text.

FINANCIAL SUMMARY

The following is a summary of the published results, asset and liabilities of the Group for each of the three years ended 31 December 2005, 2006 and 2007 as extracted from the 2005, 2006 and 2007 annual reports of the Company. The auditors of the Company for the the two years ended 31 December 2007 was CCIF CPA Limited, Certified Public Accountants, Hong Kong, and for the year ended 31 December 2005 was ShineWing (HK) CPA Limited. Their opinion on the consolidated financial statements of the Group for each of the aforesaid years were qualified due to the fundamental uncertainty and limitation of audit scope. For details regarding the qualified opinions, please refer to the auditors' reports for each of the three years ended 31 December 2005, 2006 and 2007 as extracted from the 2005, 2006 and 2007 annual reports of the Company set out under the sub-section headed "Independent Auditors' Reports" in this Appendix II.

Consolidated Income Statement
For the year ended 31 December 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000*	**2005** *HK$'000*
Turnover	5	3,447	715	3,764
Cost of sales		(2,668)	(549)	(2,592)
Gross profit		779	166	1,172
Other revenue	6	—	6	146
Selling and distribution expenses		(241)	(110)	(4,824)
Research and development costs		—	(4,502)	(1,598)
General and administrative expenses		(5,817)	(14,300)	(29,467)
Loss from operations		(5,279)	(18,740)	(34,571)
Finance costs		(1,703)	(1,483)	(1,125)
Waiver of amount due to a former shareholder		1,595	23,803	—
Impairment loss on goodwill		—	(9,697)	—
Impairment loss on interest in an associate		—	(4,849)	—
Share of losses of associates		—	—	(659)
Loss on disposal of an associate		—	—	(3,098)
Loss before taxation	7	(5,387)	(10,966)	(39,453)
Income tax	8(a)	—	—	(6)
Loss for the year		(5,387)	(10,966)	(39,459)
Attributable to:				
Equity shareholders of the Company	11	(5,376)	(11,248)	(38,372)
Minority interests		(11)	282	(1,087)
Loss for the year		(5,387)	(10,966)	(39,459)
Loss per share	12			
Basic		(2.69) cents	(5.62) cents	(19.19) cents
Diluted		N/A	N/A	N/A

There were no extraordinary items and exceptional items during each of the three years ended 31 December 2005, 2006 and 2007 based on the annual reports of the Company for the respective years.

Consolidated Balance Sheet
As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000	2005 HK$'000
Non-current assets				
Property, plant and equipment	14	327	—	1,614
Intangible assets	15	—	—	4,247
Interest in an associate	17	—	—	4,849
Goodwill	18	—	—	9,697
Deposits for acquisition of subsidiaries	19	22,710	22,710	12,710
		23,037	22,710	33,117
Current assets				
Trade and other receivables	20	633	747	1,542
Investment funds		—	—	16,427
Cash and cash equivalents	21	675	164	561
		1,308	911	18,530
Current liabilities				
Trade and other payables	22	9,753	6,972	6,138
Amounts due to former directors	23	—	1,370	1,322
Amount due to a director	23	14	10	—
Amount due to a shareholder	23	5,032	—	18,217
Bank loan, unsecured	24	14,980	14,000	13,208
Other loan payable, unsecured	25	495	436	436
		30,274	22,788	39,321
Net current liabilities		(28,966)	(21,877)	(20,791)
NET (LIABILITIES)/ASSETS		(5,929)	833	12,326
CAPITAL AND RESERVES	29(a)			
Share capital		2,000	2,000	2,000
Reserves		(9,314)	(2,472)	9,326
Total equity attributable to equity shareholders of the Company		(7,314)	(472)	11,326
Minority interests		1,385	1,305	1,000
(CAPITAL DEFICIT)/TOTAL EQUITY		(5,929)	833	12,326

INDEPENDENT AUDITORS' REPORTS

Set out below are the auditor's reports on the financial statements of the Group for each of the three years ended 31 December 2005, 2006 and 2007 as extracted from the 2005, 2006 and 2007 annual reports of the Company respectively. Capitalised terms used therein shall have the meanings as ascribed to them in the respective annual reports of the Company and reference to page numbers stated therein shall refer to that of the respective annual reports.

For the year ended 31 December 2005

信永中和 ShineWing

SHINEWING (HK) CPA Limited
20/F., Shui On Centre
6-8 Harbour Road, Hong Kong

TO THE MEMBERS OF
SJTU SUNWAY SOFTWARE INDUSTRY LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of the Group from pages 33 to 83 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, the evidence available to us was limited:

Fundamental uncertainty and limitations of audit scope

(i) Included in the consolidated balance sheet as at 31st December 2005 are investment funds of HK$16.4 million which were held in custody by an independent company incorporated in the People's Republic of China (the "PRC"), 北京盛邦投資有限公司. We were unable to obtain sufficient documentary evidence to satisfy ourselves as to the Company's ownership and to assess whether any impairment loss is required to be recognised in respect of this investment funds.

(ii) Included in the consolidated balance sheet as at 31st December 2005 is deposit for acquisition of subsidiaries of HK$12.7 million in respect of deposit paid to an independent third party for acquisition of Mighty Wish Services Limited ("Mighty Wish") and Shanghai Ruijin Translation Company Limited ("Translation Company"). However, as explained in note 25 to the consolidated financial statements which explain the details of the deposit and we were unable to obtain evidence to satisfy ourselves to the ability and commitment of that independent third party to complete the transactions. Furthermore, we were unable to obtain sufficient documentary evidence to satisfy ourselves as to the Company's ownership and to assess whether any impairment loss is required to be recognised in respect of this deposit.

(iii) Included in the consolidated balance sheet as at 31st December 2005 is goodwill of HK$9.7 million in respect of goodwill arising from the acquisition of a subsidiary, New Champion International Limited, during the year. We were unable to obtain sufficient documentary evidence to satisfy ourselves as to assess whether any impairment loss is required to be recognised in respect of the goodwill.

(iv) Included in the consolidated balance sheet as at 31st December 2005 is interest in an associate of HK$4.8 million in respect of the equity interest in Beijing Advanced Information Storage Technology Co., Ltd. ("Beijing AIS") of which was held directly by New Champion International Limited. We were unable to obtain sufficient documentary evidence to satisfy ourselves as to assess whether any impairment is required to be recognised in respect of New Champion International Limited's goodwill arising from acquisition of equity interest in Beijing AIS of HK$3.4 million.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves in respect of the matters set out in (i) to (iv) above. Any adjustments found to be necessary would affect the net assets of the Group as at 31st December 2005 and the loss of the Group for the year then ended.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements concerning the adoption of the going concern basis, being the basis on which the consolidated financial statements have been prepared. As explained in note 2 to the consolidated financial statements, the Group is currently undertaking a number of measures to relieve its current profitability and liquidity problem. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the arrangement for long term financing with its existing bankers, the ability to obtain continuing financial support from the controlling shareholders and to explore income generating investments in the PRC, to meet the Group's future working capital and financing requirements. The consolidated financial statements do not include any adjustments that may be necessary should the implementation of such measures be unsuccessful. We consider that appropriate disclosures have been made, but the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are so extreme that we have disclaimed our opinion.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Disclaimer of opinion

Because of the significance of the fundamental uncertainty relating to the going concern basis and each of the possible effects of the limitations in evidence available to us, we are unable to form an opinion as to whether the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December 2005 and of the loss and cash flows of the Group for the year then ended. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work relating to investment funds, deposit paid for acquisition of subsidiaries, goodwill and interest in an associate, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

ShineWing (HK) CPA Limited
Certified Public Accountants

Hong Kong
27 March 2006

For the year ended 31 December 2006

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF
SJTU SUNWAY SOFTWARE INDUSTRY LIMITED
(incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of SJTU Sunway Software Industry Limited (the "Company") set out on pages 28 to 78, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements as of 31 December 2005, were audited by another auditor (the "predecessor auditor") whose report dated 27 March 2006 ("Previous Auditor's Report"), expressed a disclaimer of opinion due to the matters set out in points (1) to (4) under the basis for disclaimer of opinion section.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion section, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

1. *Scope limitation — opening balance of investment funds*

As explained in the Previous Auditor's Report, the predecessor auditor was unable to obtain sufficient reliable evidence to satisfy themselves as to the Group's ownership of investment funds and whether impairment of investment funds as at 31 December 2005 was necessary.

Any adjustment that might have been found necessary in respect of the above as at 31 December 2005 would have had a consequential impact on the opening balance of net assets of the Group as at 1 January 2006, its loss for the year ended 31 December 2006, and the related disclosure in the financial statements.

2. *Scope limitation — carrying amounts and recoverability of deposits for acquisition of subsidiaries*

As explained in the Previous Auditor's Report, the predecessor auditor was unable to obtain sufficient reliable evidence to satisfy themselves as to the ownership and recoverability of deposits of approximately HK$12,710,000 for acquisition of subsidiaries as at 31 December 2005.

As detailed in noted 18 to the consolidated financial statements, the deposits for acquisition of subsidiaries referred to above are still outstanding at 31 December 2006 and the Group also paid another deposit of HK$10,000,000 for the proposed acquisition of First Preview Limited and its subsidiaries during the year ended 31 December 2006. However, there were no documentary evidence to support whether the independent third parties have ability and commitment to complete the transactions and whether the deposits will be recovered, and in consequence whether the carrying amounts of deposits for acquisition of subsidiaries as at 31 December 2006 are fairly stated.

3. *Scope limitation — interest in an associate*

As explained in the Previous Auditor's Report, the predecessor auditor was unable to obtain sufficient reliable evidence to satisfy themselves as to whether the impairment of goodwill arose from the acquisition of the associate as at 31 December 2005 was necessary.

As detailed in note 16 to the consolidated financial statements, the Group cannot access to the accounting records and management accounts of the associate for the year ended 31 December 2006, and consequently the Group could not arrange for the audit of the associate's management accounts for the year ended 31 December 2006. Because of this, the interest in the associate has been accounted for in the consolidated financial statements under the equity method using the financial information of the associate as at 31 December 2005, this is not in accordance with Hong Kong Accounting Standard ("HKAS") No. 28 "Investments in Associates" issued by the HKICPA. As no accounts of the associate for the year ended 31 December 2006 are yet available we are unable to estimate the financial effect on these consolidated financial statements of the departure from HKAS 28.

The directors have considered that the recoverability of interest in the associate is uncertain and it is prudent to make a full impairment loss of approximately HK$4,849,000 against the carrying amount of interest in the associate. However, there was no sufficient reliable evidence to support the impairment loss on the interest in the associate. There were no practical alternative audit procedures that we could perform to determine the appropriateness of the impairment loss. Any excess of the impairment loss would have a consequential effect on the Group's net assets as at 31 December 2006 and its loss for the year then ended.

4. Scope limitation — impairment of goodwill

As explained in the Previous Auditor's Report, the predecessor auditor was unable to obtain sufficient reliable evidence to satisfy themselves as to whether the impairment of goodwill arose from the acquisition of a subsidiary as at 31 December 2005 was necessary.

As detailed in note 17 to the consolidated financial statements, included in consolidated balance sheet as at 31 December 2006 is a goodwill against which full impairment loss of approximately HK9,697,000 was made during the current year. However, there were no satisfactory audit procedures that we could assess the impairment loss so as to determine the appropriateness of the impairment loss. Any excess of the impairment loss would have a consequential effect on the Group's net assets as at 31 December 2006 and its loss for the year then ended.

5. Scope limitation — carrying amount and impairment of property, plant and equipment

As detailed in notes 2(a) and 13 to the consolidated financial statements, the Company's directors are unable to obtain a fixed assets register and the relevant assets after the reconstitution of the board. An impairment assessment has been performed by the Company's directors to determine the recoverable amounts of property, plant and equipment. Based on their assessment, an impairment loss of approximately HK$1,468,000 has been made and charged to the consolidated income statement for the year ended 31 December 2006. In the absence of sufficient reliable evidence available to us, we were unable to carry out adequate audit procedures to satisfy ourselves that this impairment loss and other disclosures in the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the notes thereon relating to the property, plant and equipment are fairly stated.

6. Scope limitation — trade and other receivables

As at 31 December 2006, included in the consolidated balance sheet are trade and other receivables of approximately HK$747,000, which was stated after write-off of trade and other receivables of approximately HK$331,000 and impairment loss on trade and other receivables of approximately HK$519,000 that were charged to the consolidated income statement for the year ended 31 December 2006. As detailed in note 2(a) to the consolidated financial statements and due to the lack of sufficient reliable evidence, we have not been able to perform the audit procedures we considered necessary to satisfy ourselves as to whether the write-off of and impairment loss on trade and other receivables for the year ended 31 December 2006, and in consequence the carrying amount of trade and other receivables as at 31 December 2006 are fairly stated.

7. Scope limitation — cash and cash equivalents

As at 31 December 2006, included in the consolidated balance sheet are cash and cash equivalents of approximately HK$153,000. As detailed in note 2(a) to the consolidated financial statements and due to the lack of bank confirmations and other sufficient reliable evidence, we have not been able to perform the audit procedures we considered necessary to satisfy ourselves as to whether these cash and cash equivalents as at 31 December 2006 are fairly stated.

8. Scope limitation — trade and other payables and other loan payable

As at 31 December 2006, included in the consolidated balance sheet are trade and other payables of approximately HK$4,235,000 and other loan payable of approximately HK$436,000. As detailed in note 2(a) to the consolidated financial statements and due to the lack of sufficient reliable evidence, we have not been able to perform the audit procedures we considered necessary to satisfy ourselves as to whether the carrying amounts of trade and other payables and other loan payable as at 31 December 2006 are fairly stated.

9. Scope limitation — amounts due to former directors and directors' remuneration

As explained in note 2(a), the present directors have lost contact with certain former directors. We cannot obtain direct confirmations from these former directors in respect of the amounts of approximately HK$1,338,000 due to certain former directors and their remuneration of approximately HK$776,000, there were no practical alternative audit procedures that we could perform to support whether the amount of approximately HK$1,338,000 due to certain former directors and their remuneration of approximately HK$776,000 are fairly stated.

10. Scope limitation — minority interests

The underlying books and records of certain subsidiaries have not been fully retained, as explained in note 2(a) to the consolidated financial statements, and due to the incomplete books and records of these subsidiaries made available to us, we were unable to carry out adequate audit procedures to satisfy ourselves that minority interests relating to these subsidiaries in the consolidated balance sheet, the consolidated income statement and notes thereon are fairly stated.

11. Scope limitation — carrying amount of interests in subsidiaries and amounts due from subsidiaries

As at 31 December 2006, included in the balance sheet are interests in subsidiaries of approximately HK$1,000, stated net of an impairment loss of HK$13,764,000, and amounts due from subsidiaries of HK$11,175,000, stated net of an impairment loss of HK$20,500,000. The impairment losses of approximately HK$13,764,000 and HK$20,500,000 on interests in subsidiaries and amounts due from subsidiaries, respectively, were charged to the income statement for the year ended 31 December 2006. Due to the scope limitations in respect of points (2) to (9) above, we have not been able to satisfy ourselves as to whether the impairment losses determined by the Company's directors against the carrying amounts of such interests in subsidiaries and amounts due from subsidiaries for the year ended 31 December 2006, and in consequence the net carrying amounts of interests in subsidiaries and amounts due from subsidiaries as at 31 December 2006 in the balance sheet and notes thereon are fairly stated.

12. Material uncertainties relating to going concern

As explained in note 2(b) to the consolidated financial statements, which indicates that the Group incurred a consolidated net loss attributable to equity holders of the Company of approximately HK$11,248,000 for the year ended 31 December 2006 and had a consolidated net current liabilities of approximately HK$21,877,000 as at 31 December 2006, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful outcome of the Group's current negotiations with its banker and prospective investors to secure continual financial support and obtain new working capital in order for the Group to meet its financial obligation as they fall due and to finance its future working capital and financial requirements. The consolidated financial statements do not include any adjustments that would result from a failure to obtain such support and working capital. We consider that appropriate disclosures have been made. However, the uncertainties surrounding the outcome of these negotiations raise significant doubt about the Group's ability to continue as a going concern.

We were unable to carry out alternative audit procedures to satisfy ourselves as to the matters set out in points (1) to (12) above.

Any adjustment that might have been found to be necessary in respect of the matters set out in points (1) to (12) above would have a consequential effect on the financial positions of the Group and the Company as at 31 December 2006, the Group's loss and cash flows for the year then ended and the related disclosures in the financial statements.

Disclaimer of opinion: Disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion section, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants

Hong Kong,
3 July 2007

For the year ended 31 December 2007

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF S & D INTERNATIONAL DEVELOPMENT GROUP LIMITED
(FORMERLY KNOWN AS "SJTU SUNWAY SOFTWARE INDUSTRY LIMITED")
(Incorporated in the Cayman Islands with limited liability)

Report on the financial statements

We were engaged to audit the consolidated financial statements of S & D International Development Group Limited (formerly known as "SJTU Sunway Software Industry Limited") (the "Company") set out on pages 31 to 81, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion section, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

1. *Scope limitation — recoverability of deposits for acquisition of subsidiaries*

As detailed in note 19 to the consolidated financial statements, the deposits of approximately HK$22,710,000 for acquisition of subsidiaries have been long outstanding and no subsequent payment was received by the Group up to the date of this report. There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the recoverability of such deposits as at 31 December 2007.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006. Therefore the comparative amount may not be comparable and any adjustments to this amount may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007, its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

2. *Scope limitation — interest in an associate*

As detailed in note 17 to the consolidated financial statements, the Group cannot access to the accounting records and management accounts of the associate for the years ended 31 December 2007 and 2006, and consequently the Group could not arrange for the audit of the associate's management accounts for the years ended 31 December 2007 and 2006. Because of this, the interest in the associate has been accounted for in the consolidated financial statements under the equity method using the financial information of the associate as at 31 December 2005. This is not in accordance with Hong Kong Accounting Standard ("HKAS") No. 28 "Investments in Associates" issued by the HKICPA so far as equity accounting for interest in the associate concerned. In addition, summarised financial information for the associate, including the aggregate amounts of assets, liabilities, revenues and profit or loss, have not been disclosed as required by HKAS 28.

Had interest in the associate been equity accounted for as required by HKAS 28, the Group would have recognized its share of the associate's results for the year and its share of their net assets at 31 December 2007. In the absence of the relevant financial information of the associate, it is impracticable for us to quantify the effects on these consolidated financial statements of the departure from HKAS 28.

We qualified our auditor's report on the consolidated financial statements for the year ended 31 December 2006 in respect of the same limitations of scope. Any adjustments that might have been found to be necessary in respect of the matter mentioned above would have a consequential effect on opening balance of accumulated losses of the Group at 1 January 2007, its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

3. Scope limitation — trade and other receivables

As previously explained in our auditor's report on the consolidated financial statements for the year ended 31 December 2006, we were unable to obtain sufficient reliable evidence to satisfy ourselves as to whether certain of trade and other receivables included in the consolidated balance sheet as at 31 December 2006 in the amount of approximately HK$747,000 (net of impairment losses for bad and doubtful debts) and an impairment loss and write-off of trade and other receivables made in the consolidated income statement for the year ended 31 December 2006 in the amount of approximately HK$850,000 were fairly stated. We qualified our auditor's report on the consolidated financial statements for that year on account of this scope limitation.

Up to the date of this report, no subsequent payment was received from such trade and other receivables. The directors of the Company considered these trade and other receivables carried forward should be fully impaired. Accordingly, an impairment loss and write-off of such trade and other receivables (after adjustment of exchange differences) in the amount of approximately HK$759,000 were charged to the consolidated income statement for the year ended 31 December 2007. As detailed in note 2(a) to the consolidated financial statements and due to lack of sufficient reliable evidence, there were no satisfactory audit procedures that we could assess the impairment loss and write-off so as to determine the appropriateness of the impairment loss and write-off. Any adjustments to this impairment loss and write-off may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007, its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

4. Scope limitation — cash and cash equivalents

As at 31 December 2007, included in cash and cash equivalents in the consolidated balance sheet are cash and bank balances of approximately HK$164,000. As detailed in note 2(a) to the consolidated financial statements and due to the lack of bank confirmations and other sufficient reliable evidence, we have not been able to perform the audit procedures we considered necessary to satisfy ourselves as to whether cash and cash equivalents in the consolidated balance sheet as at 31 December 2007 were fairly stated.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006. Therefore the comparative amount may not be comparable and any adjustments to this amount may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007, its loss and cash flows for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

5. Scope limitation — trade and other payables and other loan payable

As at 31 December 2007, included in the consolidated balance sheet are trade and other payables of approximately HK$4,389,000 and other loan payable of approximately HK$495,000. As detailed in note 2(a) to the consolidated financial statements and due to the lack of sufficient reliable evidence, we have not been able to perform the audit procedures we considered necessary to satisfy ourselves as to whether the carrying amounts of trade and other payables and other loan payable in the consolidated balance sheet as at 31 December 2007 were fairly stated.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006. Therefore the comparative amounts may not be comparable and any adjustments to these amounts may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007, its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

6. Scope limitation — bank loan, interest payable and interest expenses

As detailed in note 24 to the consolidated financial statements, the bank loan has been overdue and the Group is planning in negotiation with the bank in order to reschedule the repayment of bank loan. However, no confirmation has been received from the bank to substantiate the Group's bank loan and the relevant interest payable as at 31 December 2007 and the relevant interest expenses for the year ended 31 December 2007. There was no other satisfactory evidence available to us to confirm that these balances and expenses have been correctly recorded. The unsubstantiated bank loan was approximately HK$14,980,000 as at 31 December 2007, and the unsubstantiated interest payable and interest expenses were approximately HK$3,526,000 and HK$1,703,000 as at and for the year ended 31 December 2007, respectively.

Any adjustments that might have been found to be necessary in respect of the matter mentioned above would have a consequential effect on net liabilities of the Group as at 31 December 2007, its loss for the year then ended and the related disclosures in the consolidated financial statements.

7. Scope limitation — amounts due to former directors and directors' remuneration

As explained in note 2(a), the present directors lost contact with certain former directors. We therefore cannot obtain direct confirmations from these former directors to confirm that no amount was due to them as at 31 December 2007 and no remuneration was payable to them for the year then ended. There were no practical alternative audit procedures that we could perform to support whether amounts due to former directors as at 31 December 2007 and their remuneration for the year then ended were fairly stated.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006 as we were unable to obtain direct confirmations from certain former directors to satisfy ourselves as to whether amounts due to former directors as at 31 December 2006 and their remuneration for the year then ended were fairly stated.

Therefore the comparative amounts may not be comparable and any adjustments to such amounts may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007 and its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

8. *Scope limitation — minority interests*

The underlying books and records of certain subsidiaries were not accessable, as explained in note 2(a) to the consolidated financial statements, and due to the incomplete books and records of these subsidiaries made available to us, we were unable to carry out adequate audit procedures to satisfy ourselves that minority interests relating to these subsidiaries in the consolidated balance sheet, the consolidated income statement and notes thereon were fairly stated.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006. Therefore the comparative amount may not be comparable and any adjustments to this amount may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007 and its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

9. *Scope limitation — prior year audit scope limitation affecting opening balances*

In addition, our auditor's report on the consolidated financial statements for the year ended 31 December 2006 was also qualified in respect of limitations of audit scope regarding the following items:

(a) As detailed in note 17 to the consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence regarding the appropriateness of a full impairment loss of approximately HK$4,849,000 made against the interest in an associate for the year ended 31 December 2006;

(b) As detailed in note 18 to the consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence regarding the appropriateness of a full impairment loss of approximately HK$9,697,000 made against the goodwill for the year ended 31 December 2006; and

(c) As detailed in note 14 to the consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence regarding the appropriateness of a full impairment loss of approximately HK$1,468,000 made against the property, plant and equipment for the year ended 31 December 2006.

Therefore the comparative amounts may not be comparable and any adjustments to these amounts may have a consequential effect on the opening balance of accumulated losses of the Group at 1 January 2007, its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

10. Scope limitation — carrying amount of interests in subsidiaries and amounts due from subsidiaries

As at 31 December 2007, included in the Company's balance sheet are interests in subsidiaries of approximately HK$1,000, stated net of an impairment loss of approximately HK$13,764,000, and amounts due from subsidiaries of approximately HK$11,370,000, stated net of an impairment loss of approximately HK$20,500,000. Due to the scope limitations in respect of points (1), (3), (4), (5), (6), (7) and (9) above, we have not been able to satisfy ourselves as to whether the impairment losses determined by the Company's directors against the carrying amounts of such interests in subsidiaries and amounts due from subsidiaries for the year ended 31 December 2007, and in consequence the net carrying amounts of interests in subsidiaries and amounts due from subsidiaries as at 31 December 2007 in the balance sheet and notes thereon were fairly stated.

We qualified our opinion in respect of the same limitations of scope in our auditor's report for the year ended 31 December 2006. Therefore the comparative amounts may not be comparable and any adjustments to these amounts may have a consequential effect on the opening balance of accumulated losses of the Company at 1 January 2007 and its loss for the year ended 31 December 2007, its net liabilities as at 31 December 2007 and related disclosures in the consolidated financial statements.

11. Material uncertainties relating to going concern

As explained in note 2(b) to the consolidated financial statements, which indicates that the Group incurred a consolidated net loss attributable to equity shareholders of the Company of approximately HK$5,376,000 for the year ended 31 December 2007 and had a consolidated net current liabilities of approximately HK$28,966,000 and consolidated net liabilities of approximately HK$5,929,000 as at 31 December 2007, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful outcome of the Group's current negotiations with its banker and prospective investors to secure continual financial support and obtain new working capital in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. The consolidated financial statements do not include any adjustments that would result from a failure to obtain such support and working capital. We consider that appropriate disclosures have been made. However, the uncertainties surrounding the outcome of these negotiations raise significant doubt about the Group's ability to continue as a going concern.

Disclaimer of opinion: Disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion section, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants

Hong Kong,
28 March 2008

AUDITED FINANCIAL STATEMENTS

Set out below is the audited financial statements of the Group for the year ended 31 December 2007 as extracted from the Company's 2007 annual report. For avoidance of doubt, capitalised terms used therein shall have the same meanings as ascribed to them in the Company's 2007 annual report and reference to page numbers stated therein shall refer to that of the Company's 2007 annual report.

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 *HK$'000*	2006 *HK$'000*
Turnover	5	3,447	715
Cost of sales		(2,668)	(549)
Gross profit		779	166
Other revenue	6	—	6
Selling and distribution expenses		(241)	(110)
Research and development costs		—	(4,502)
General and administrative expenses		(5,817)	(14,300)
Loss from operations		(5,279)	(18,740)
Finance costs		(1,703)	(1,483)
Waiver of amount due to a former shareholder		1,595	23,803
Impairment loss on goodwill		—	(9,697)
Impairment loss on interest in an associate		—	(4,849)
Loss before taxation	7	(5,387)	(10,966)
Income tax	8(a)	—	—
Loss for the year		(5,387)	(10,966)
Attributable to:			
Equity shareholders of the Company	11	(5,376)	(11,248)
Minority interests		(11)	282
Loss for the year		(5,387)	(10,966)
Loss per share	12		
Basic		(2.69) cents	(5.62) cents
Diluted		N/A	N/A

Consolidated Balance Sheet
As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	327	—
Intangible assets	15	—	—
Interest in an associate	17	—	—
Goodwill	18	—	—
Deposits for acquisition of subsidiaries	19	22,710	22,710
		23,037	22,710
Current assets			
Trade and other receivables	20	633	747
Cash and cash equivalents	21	675	164
		1,308	911
Current liabilities			
Trade and other payables	22	9,753	6,972
Amounts due to former directors	23	—	1,370
Amount due to a director	23	14	10
Amount due to a shareholder	23	5,032	—
Bank loan, unsecured	24	14,980	14,000
Other loan payable, unsecured	25	495	436
		30,274	22,788
Net current liabilities		(28,966)	(21,877)
NET (LIABILITIES)/ASSETS		(5,929)	833
CAPITAL AND RESERVES	29(a)		
Share capital		2,000	2,000
Reserves		(9,314)	(2,472)
Total equity attributable to equity shareholders of the Company		(7,314)	(472)
Minority interests		1,385	1,305
(CAPITAL DEFICIT)/TOTAL EQUITY		(5,929)	833

Balance Sheet
As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investments in subsidiaries	16	1	1
Current assets			
Trade and other receivables	20	11,634	11,239
Cash and cash equivalents	21	—	—
		11,634	11,239
Current liabilities			
Trade and other payables	22	11,243	9,229
Amounts due to former directors	23	—	1,370
Amount due to a director	23	14	10
Amount due to a shareholder	23	608	—
		11,865	10,609
Net current (liabilities)/assets		(231)	630
NET (LIABILITIES)/ASSETS		(230)	631
CAPITAL AND RESERVES	29(b)		
Share capital		2,000	2,000
Reserves		(2,230)	(1,369)
(CAPITAL DEFICIT)/TOTAL EQUITY		(230)	631

Consolidated Statement of Changes in Equity
For the year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
Total equity at 1 January	833	12,326
Net loss recognised directly in equity:		
Exchange differences on translation of financial statement of overseas subsidiaries	(1,375)	(527)
Loss for the year	(5,387)	(10,966)
(Capital deficit)/total equity at 31 December	(5,929)	833

Consolidated Cash Flow Statement
For the year ended 31 December 2007

	Note	**2007** *HK$'000*	**2006** *HK$'000*
OPERATING ACTIVITIES			
Loss before taxation		(5,387)	(10,966)
Adjustments for:			
Amortisation of intangible assets	7(c)	—	1,329
Impairment loss on intangible assets	7(c)	—	3,173
Depreciation of property, plant and equipment	7(c)	55	242
Impairment loss for property, plant and equipment	7(c)	—	1,468
Loss on investment funds	7(c)	—	6,411
Finance costs	7(a)	1,703	1,483
Interest income	6	—	(1)
Impairment loss for trade receivables	7(c)	57	225
Waiver of amount due to a former shareholder		(1,595)	(23,803)
Impairment loss on goodwill	7(c)	—	9,697
Impairment loss on interest in an associate	7(c)	—	4,849
Write-off of other receivables	7(c)	702	625
Operating loss before changes in working capital		(4,465)	(5,268)
(Increase)/decrease in trade and other receivables		(609)	32
Increase/(decrease) in trade and other payables		695	(872)
CASH USED IN OPERATIONS		(4,379)	(6,108)
Tax paid		—	—
NET CASH USED IN OPERATING ACTIVITIES		(4,379)	(6,108)
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		(382)	—
Payment for deposits for acquisition of subsidiaries		—	(10,000)
Decrease in investment funds		—	10,016
Interest received		—	1
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(382)	17

	Note	2007 *HK$'000*	2006 *HK$'000*
FINANCING ACTIVITIES			
(Repayment to)/advance from former directors		(1,370)	48
Advance from a director		4	10
Advance from a former shareholder		1,595	5,603
Advance from a shareholder		5,032	—
NET CASH FROM FINANCING ACTIVITIES		5,261	5,661
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		500	(430)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		164	561
Effect of foreign exchange rate changes		11	33
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21	675	164

Notes to the Financial Statements

For the year ended 31 December 2007

1. COMPANY BACKGROUND

S & D International Development Group Limited (the "Company") (formerly known as "SJTU Sunway Software Industry Limited") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its principal place of business is located at Room 2801, 28/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

Pursuant to a special resolution passed at the extraordinary general meeting held on 10 August 2007, the name of the Company has been changed from "SJTU Sunway Software Industry Limited" to "S & D International Development Group Limited".

The principal activities of the Group during the year are the provision of custom-made solutions, trading of computer equipment and provision of information localisation services.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) State of Books and Records Maintained by Certain Subsidiaries

The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, after the reconstitution of the board during the year ended 31 December 2007, the Group no longer has access to certain of prior years' books and records of SJTU Sunway Information Technology Co. Ltd., SUNV (Beijing) Century Information Technology Co., Ltd., Beijing Guoxin Sunway IT Co., Ltd., Shanghai Sunway Century IT Co., Ltd. and Fujian Multi Language Translation Service Co., Ltd., the subsidiaries of the Company. The present directors tried to get assistance from the former directors to locate the relevant information and documents. However, the present directors lost contact with certain former directors and were therefore unable to access to the relevant information and documents within the time constraint in the preparation of these financial statements. Hence, only limited books and records of these subsidiaries are accessible by the present directors. In view of the foregoing, no representations as to the completeness of the books and records could be given by the present directors although care has been taken in the preparation of the financial statements to mitigate the effect of the incomplete records. The directors have in the assessment of the Group's assets and liabilities taken such steps as they considered practicable to establish these assets and liabilities based on the information of which they were aware and have made provisions and adjustments as they considered appropriate in the preparation of these financial statements.

On this basis, the directors believe that no significant liability has not been included in these financial statements.

b) Going Concern

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group in view of its net liabilities as at 31 December 2007. During the year and up to the date of approval of these financial statements, the Group defaulted on the repayment of bank loan (see note 24).

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted the following measures:

i) The directors of the Company are planning in negotiation with the Group's bank to reschedule the repayment of bank borrowings due by the Group and to seek the ongoing support to the Group from this bank and other banks.

ii) The directors of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, a private placement, an open offer or a rights issue of new shares of the Company.

iii) The directors of the Company continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

In the opinion of the directors of the Company, in light of the measures taken to date, together with expected results of other measures in progress, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable going concern. Accordingly, notwithstanding that the Group incurred a consolidated net loss attributable to equity shareholders of the Company of approximately HK$5,376,000 for the year ended 31 December 2007 and had consolidated net current liabilities of approximately HK$28,966,000 and consolidated net liabilities of approximately HK$5,929,000 as at 31 December 2007, the directors of the Company are of the opinion that it is appropriate to prepare these financial statements for the year ended 31 December 2007 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. All financial information presented in Hong Kong dollars has been rounded to the nearest thousand.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34.

c) Subsidiaries and Minority Interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

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.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3(l) or (m) depending on the nature of the liability.

In the Company's balance sheet, the investments in the subsidiaries are stated at cost less impairment losses (see note 3(j)), unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

d) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in the associate recognised for the year (see notes 3(e) and (j)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group 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.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3(j)). In respect of associate, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

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 or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

f) Investment Fund

Investment funds are classified as current assets. Investment funds are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

g) Property, Plant and Equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(j)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	over the shorter of 5 years or the unexpired terms of leases
Computer and other equipment	4–5 years
Furniture and fixtures	3 years
Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

h) Intangible Assets (Other than Goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 3(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 3(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The capitalised development costs with finite useful lives are amortised from the date they are available for use and their estimated useful lives are five years.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

i) Leased Assets

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

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

j) Impairment of Assets

i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— signification 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 reorganization;

— 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.

If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt 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.

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— investments in subsidiaries and an associate; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price 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 assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

k) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 3(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 3(j)).

l) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

m) Trade and Other Payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

n) Cash and Cash Equivalents

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

o) Employee Benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based compensation reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

p) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the foreseeable future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

q) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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 future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

r) Revenue Recognition

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 in the profit or loss as follows:

i) Custom-made solutions

When the outcome of a custom-made solution contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a custom-made solution contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

ii) Provision of information localisation services

Revenue from the provision of information localisation services are recognised when the services are rendered.

iii) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and related risks and rewards of ownership. Revenue excludes value addes tax or other sales taxes and is after deduction of any trade discounts.

iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

s) Translation of Foreign Currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

t) Borrowing Costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

u) 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;

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.

v) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and the Interpretations that are first effective or available for early adoption for current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 30.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 29(f).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

5. TURNOVER

Turnover represents the revenue from the provision of custom-made solutions and information localisation services and the sales value of goods sold after allowances for goods returned, excludes value added or other sales taxes and is after the deduction of any trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Trading of computer equipment	2,247	—
Provision of custom-made solutions	1,200	—
Provision of information localisation services	—	715
	3,447	715

6. OTHER REVENUE

	2007	**2006**
	HK$'000	*HK$'000*
Interest income	—	1
Other income	—	5
	—	6

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

a) Finance costs:

	2007	**2006**
	HK$'000	*HK$'000*
Interest expense on financial liabilities not at fair value through profit or loss		
— Interest on bank borrowings wholly repayable within five years	1,703	1,483

b) Staff costs (including directors' remuneration):

	2007	**2006**
	HK$'000	*HK$'000*
Salaries, wages and allowances	2,091	2,181
Contributions to retirement benefits schemes *(note 26)*	58	74
	2,149	2,255

c) Other items

	2007	**2006**
	HK$'000	*HK$'000*
Auditors' remuneration	438	300
Depreciation of property, plant and equipment	55	242
Amortisation of intangible assets	—	1,329
Impairment losses in respect of		
— Property, plant and equipment *(note 14)*	—	1,468
— Intangible assets *(note 15)*	—	3,173
— Interest in an associate *(note 17)*	—	4,849
— Goodwill *(note 18)*	—	9,697
— Trade receivables *(note 20(b))*	57	225
— Investment funds *(note below)*	—	6,411
Write-off of other receivables	702	625
Operating lease charges in respect of properties:		
minimum lease payments	522	132
Net foreign exchange loss	1	—

Note: Impairment of investment funds

Pursuant to an agreement dated 1 June 2004, a subsidiary of the Group entered into an agreement with 北京盛邦投資有限公司 ("盛邦"), an independent PRC company, for a term of one year for the provision of advisory service on capital investment and expired on 30 June 2005. As at 31 December 2004, a total of approximately HK$7,967,000 was placed with 盛邦 and recorded as investment funds.

On 30 June 2005, a subsidiary of the Group entered into a supplementary agreement to extend the provision of advisory service on capital investment for a further year and expiring on 30 June 2006. During the year ended 31 December 2005, the Group paid further deposits to 盛邦 of approximately HK$8,460,000 with an aggregate amount of approximately HK$16,427,000 held by 盛邦 as at 31 December 2005.

During the year ended 31 December 2006, the agreement for provision of advisory service on capital investment expired. An aggregate amount of approximately HK$10,016,000 was refunded from 盛邦. However, the directors are of the opinion that, the remaining balances of approximately HK$6,411,000 is unlikely to be refunded from 盛邦 and a full impairment loss is then provided for in the consolidated financial statements.

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) For the years ended 31 December 2007 and 2006, no provision for Hong Kong Profits Tax nor PRC Income Tax has been made as the Group did not have estimated assessable profits subject to Hong Kong Profits Tax and the income tax rule and regulations of the PRC.

As foreign investment enterprises in the PRC, two subsidiaries of the Company are granted certain tax relief, under which they are entitled to income tax exemption for first three profit making years and to a 50% relief for PRC income tax to the following three years, after which the subsidiaries' profits are subject to PRC income tax at the rate of 15%.

b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2007	**2006**
	HK$'000	*HK$'000*
Loss before taxation	(5,387)	(10,966)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the tax jurisdictions concerned	(952)	(1,572)
Tax effect of non-deductible expenses	636	4,236
Tax effect on non-taxable income	—	(2,426)
Tax effect of prior years' tax losses utilised this year	—	(411)
Tax effect on unused tax losses not recognised	316	173
Actual tax expense	—	—

c) New tax law of the PRC

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC ("the New Tax Law"), which would become effective on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law ("the Implementation Rules").

According to the New Tax Law, from 1 January 2008, the standard corporate income tax rate for enterprises in the PRC will be reduced from 33% to 25%. However, an "encouraged hi-tech enterprise" will continue to be entitled to a reduced corporate income tax rate of 15%. The detailed application of the newly introduced preferential tax policies have yet to be made public.

Under the New Tax Law being effective from 1 January 2008 and in accordance with "Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax" (Guo Fa [2007] No. 39) promulgated by the State Council on 26 December 2007, an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the New Tax Law will be subject to a transitional tax rate beginning in period 2008 ("Transitional Tax Rate") before the new corporate income tax rate of 25% applies. For companies currently enjoying a reduced tax rate of 15%, the Transitional Tax Rate is 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 onwards respectively. The tax rate will transit to the standard tax rate of 25% for entities with current tax rate of 24% effective from 1 January 2008.

Any unutilized tax holidays can continue until expiry while tax holidays will be deemed to start from 1 January 2008, even if the company is not yet turning to a profit.

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable. The deferred tax assets/liabilities of subsidiaries in the PRC are measured using enacted tax rates expected to apply to taxable income, based on the Transitional Tax Rate, in the years in which those temporary differences are expected to be recovered or settled.

In addition, under the New Tax Law, a withholding tax may be applied on the gross amount of dividends received by the Company from its PRC subsidiaries after 1 January 2008. The Implementation Rules provides for the withholding tax rate to be at 10% unless reduced by treaty.

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Year ended 31 December 2007:

	Directors' fees	Salaries, allowance and benefits in kind	Contributions to retirement benefits schemes	2007 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Tinna Chan Yee *(note 1)*	—	—	—	—
Sana Bakhitar Ahmed *(note 1)*	—	—	—	—
Henry Dicker Yee *(note 2)*	—	516	5	521
Tan Shu Jiang	—	12	—	12
Sze Wai, Marco *(note 5)*	—	—	—	—
Shang Guan Bu Yan *(note 5)*	—	—	—	—
Chen Si Gen *(note 5)*	—	—	—	—
Independent Non-Executive Directors				
Chan Cheong Yee *(note 3)*	46	—	—	46
Ronald Gary Hopp *(note 3)*	3	—	—	3
Yip Tai Him *(note 3)*	46	—	—	46
Wang Tian Ye *(note 6)*	—	—	—	—
Wang Bin *(note 6)*	—	—	—	—
Xu Shi Hon *(note 6)*	—	—	—	—
	95	528	5	628

Year ended 31 December 2006:

	Directors' fees	Salaries, allowance and benefits in kind	Contributions to retirement benefits schemes	2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Tan Shu Jiang	—	100	5	105
Sze Wai, Marco *(note 5)*	—	200	10	210
Shang Guan Bu Yan *(note 5)*	—	100	5	105
Chen Si Gen *(note 5)*	—	150	8	158
He En Pei *(note 4)*	—	205	8	213
Independent Non-Executive Directors				
Wang Tian Ye *(note 6)*	100	—	—	100
Wang Bin *(note 6)*	100	—	—	100
Xu Shi Hong *(note 6)*	100	—	—	100
	300	755	36	1,091

Notes:

1. Appointed on 1 February 2007
2. Appointed on 8 August 2007
3. Appointed on 27 March 2007
4. Resigned on 6 September 2006
5. Resigned on 1 February 2007
6. Resigned on 27 March 2007

For the years ended 31 December 2007 and 2006, no emoluments were paid to the Company's directors as an inducement to join or upon joining the Group or as compensation for loss of office. During the years ended 31 December 2007 and 2006, no fee or any other emolument was waived by the Company's directors.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2006: four) is a director whose emolument is disclosed in note 9. The aggregate of the emoluments in respect of the other four (2006: one) individuals are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other emoluments	1,025	251
Contributions to retirement benefits scheme	36	10
	1,061	261

The emoluments of four (2006: one) individuals with the highest emoluments are within the following band:

	2007	2006
	Number of individuals	*Number of individuals*
Nil — HK$1,000,000	4	1

There were no amounts paid or payable during the years ended 31 December 2007 and 2006 to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

11. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$861,000 (2006: HK$20,399,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK$5,376,000 (2006: HK$11,248,000) and the weighted average of 200,000,000 (2006: 200,000,000) ordinary shares in issue during the year.

b) Diluted loss per share

There were no dilutive potential ordinary share in issue during the years ended 31 December 2007 and 2006 as no diluting events were existed during those years.

13. SEGMENT REPORTING

Business segmental information for the Group for the years ended 31 December 2007 and 2006 are shown as below.

As the Group mainly operates in Hong Kong (2006: mainly operates in the People's Republic of China), no geographical segment information is presented.

Business segments

The Group comprise the following main business segments:

i) Custom-made solutions

To develop and implement custom-made solutions which are specifically designed and developed for the specific needs and requirements of a particular customer.

ii) Computer equipment

Trading of computer hardware and software.

iii) Information localisation services

To provide translation and information localisation services.

For the year ended 31 December 2007:

	Custom-made solutions	Computer equipment	Information localisation services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customer	1,200	2,247	—	3,447
Segment result	(1,409)	(259)	(428)	(2,096)
Unallocated operating income and expenses				(3,183)
Loss from operations				(5,279)
Finance costs				(1,703)
Waiver of amount due to a former shareholder				1,595
Loss before taxation				(5,387)
Income tax				—
Loss for the year				(5,387)
Depreciation and amortisation	—	—	—	
Impairment loss for trade receivables	—	—	57	
Write-off of other receivables	—	—	702	
Capital expenditure	—	—	—	
At 31 December 2007:				
Segment assets	313	38	—	351
Unallocated assets				23,994
Consolidated total assets				24,345
Segment liabilities	1,722	298	1,192	3,212
Unallocated liabilities				27,062
Consolidated total liabilities				30,274

For the year ended 31 December 2006:

	Custom-made solutions	Computer equipment	Information localisation services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customer	—	—	715	715
Segment result	—	—	(14,389)	(14,389)
Unallocated operating income and expenses				(4,351)
Loss from operations				(18,740)
Finance costs				(1,483)
Waiver of amount due to a former shareholder				23,803
Impairment loss on goodwill				(9,697)
Impairment loss on interest in an associate				(4,849)
Loss before taxation				(10,966)
Income tax				—
Loss for the year				(10,966)
Depreciation and amortisation	—	—	1,571	
Impairment loss on intangible assets	—	—	3,173	
Impairment loss for trade receivables	—	—	225	
Write-off of other receivables	—	—	625	
Impairment loss for property, plant and equipment	—	—	1,468	
Capital expenditure	—	—	—	
At 31 December 2006:				
Segment assets	—	—	447	447
Unallocated assets				23,174
Consolidated total assets				23,621
Segment liabilities	—	—	1,040	1,040
Unallocated liabilities				21,748
Consolidated total liabilities				22,788

14. PROPERTY, PLANT AND EQUIPMENT

	The Group				
	Leasehold improvements	Computer and other equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2006	483	2,176	1,138	786	4,583
Exchange adjustments	29	130	68	47	274
At 31 December 2006 and 1 January 2007	512	2,306	1,206	833	4,857
Additions	267	57	58	—	382
At 31 December 2007	779	2,363	1,264	833	5,239
Accumulated depreciation					
At 1 January 2006	94	1,664	749	462	2,969
Exchange adjustments	5	100	45	28	178
Charge for the year	—	68	75	99	242
Impairment losses	413	474	337	244	1,468
At 31 December 2006 and 1 January 2007	512	2,306	1,206	833	4,857
Charge for the year	36	6	13	—	55
At 31 December 2007	548	2,312	1,219	833	4,912
Net book value					
At 31 December 2007	231	51	45	—	327
At 31 December 2006	—	—	—	—	—

Impairment loss

As explained in note 2(a) and after the reconstitution of the board, the present directors are unable to access to fixed assets registers and are unable to locate the relevant assets, amounting to approximately HK$4,857,000 that were brought forward from 31 December 2006. As a result, the Group assessed the recoverable amounts of these assets. Based on this assessment, the directors consider that it is unlikely that these assets as at 31 December 2006 have any future value in use and the carrying amounts of these assets were fully impaired during the year ended 31 December 2006.

15. INTANGIBLE ASSETS

	The Group
	HK$'000
Cost	
At 1 January 2006	12,966
Exchange adjustments	778
At 31 December 2006 and 2007	13,744
Accumulated amortisation/impairment	
At 1 January 2006	8,719
Exchange adjustments	523
Charge for the year	1,329
Impairment loss	3,173
At 31 December 2006 and 2007	13,744
Net book value	
At 31 December 2007	—
At 31 December 2006	—

Intangible assets comprise computer software development costs. The intangible assets have finite useful lives and are amortised on a straight line basis over five years.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Impairment loss

Owing to the unsatisfactory sales records on the computer software, the directors have performed an assessment on the recoverable amount of the development costs previously capitalised for these computer software. Based on this assessment, the directors consider that it is unlikely that these development costs have any future value in use and hence the carrying amount of these development costs in the amount of approximately HK$3,173,000 were fully impaired during the year ended 31 December 2006.

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	13,765	13,765
Less: Accumulated impairment losses	(13,764)	(13,764)
	1	1

(a) Details of the movements in impairment losses in investments in subsidiaries are listed below:

	2007	2006
	HK$'000	*HK$'000*
Balance as at 1 January	13,764	—
Impairment loss recognised	—	13,764
Balance as at 31 December	13,764	13,764

As at 31 December 2006, the directors of the Company assessed the recoverable amount of the investments in subsidiaries as they considered that the subsidiaries incurred losses for the year ended 31 December 2006 and prior years and there were indications of impairment on the carrying amount. The recoverable amount as determined was based on the directors' own judgement and estimation.

(b) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Subsidiaries

Name of company	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up/ registered capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
Besto Investment Limited	British Virgin Islands ("BVI")	Hong Kong	US$14,833	100%	100%	—	Investment holding
Surplus Trade Investment Limited	BVI	BVI	US$1,000	100%	100%	—	Investment holding
Top Universal Limited	BVI	BVI	US$1	100%	100%	—	Investment holding
Topstand Limited	BVI	BVI	US$1	100%	100%	—	Investment holding
Transwood Limited	BVI	BVI	US$1	100%	100%	—	Investment holding
Eastpak Development Limited	BVI	BVI	US$1	100%	100%	—	Investment holding
Cheermax Investments Limited	BVI	BVI	US$1	100%	100%	—	Investment holding
SJTU Sunway Information Technology Co., Ltd.*	PRC	PRC	RMB25,000,000	100%	—	100%	Provision of translation services and sales of general software
SUNV (Beijing) Century Information Technology Co., Ltd.*	PRC	PRC	RMB6,000,000	100%	—	100%	Provision of translation services
New Champion International Ltd.	BVI	BVI	US$500	100%	—	100%	Investment holding
Mainca International Limited	Hong Kong	Hong Kong	HK$1	100%	—	100%	Software development business and trading of computer equipment
S & D Management Limited	Hong Kong	Hong Kong	HK$10	100%	—	100%	Centralization of administrative expenses
S & D Real Estates Group Limited	Hong Kong	Hong Kong	HK$10	100%	—	100%	Not yet commenced business
Global Land (Asia) Limited	Hong Kong	Hong Kong	HK$1	100%	—	100%	Not yet commenced business
S & D Enterprises Limited	Hong Kong	Hong Kong	HK$1	100%	—	100%	Provision of instant on-screen hotel entertainment programme
Winner Zone Limited	Hong Kong	Hong Kong	HK$1	100%	—	100%	Provision of instant on-screen hotel entertainment programme
Beijing Guoxin Sunway IT Co., Ltd.#	PRC	PRC	RBM2,000,000	51%	—	51%	Provision of translation services
Shanghai Sunway Century IT Co., Ltd.#	PRC	PRC	RMB5,000,000	90%	—	90%	Provision of translation services
Fujian Multi Language Translation Service Company Limited#	PRC	PRC	RMB5,000,000	75%	—	75%	Provision of translation services

* These are wholly foreign-owned enterprises established in the PRC.

\# These are domestic limited liability companies established in the PRC.

17. INTEREST IN AN ASSOCIATE

	The Group 2007 HK$'000	2006 HK$'000
Share of net assets	1,456	1,456
Goodwill	3,393	3,393
	4,849	4,849
Less: impairment loss	(4,849)	(4,849)
	—	—

The following list contains only the particulars of unlisted associate, which principally affected the results or assets of the Group as at 31 December 2007:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of registered capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activity
Beijing Advanced Information Storage Technology Co., Ltd.("Beijing AIS") 北京愛思拓信息存儲技術有限公司	Incorporated	PRC	RMB12,500,000	45%	—	45%	Development and sales of jukebox and the provision of data storage services

Impairment loss

After the reconstitution of the board, the Group cannot access to the accounting records and management accounts of the associate for the two years ended 31 December 2007 and 2006. In the opinion of the Company's directors, the recoverable amount of interest in the associate is doubtful and a full impairment loss is provided for in the consolidated income statement for the year ended 31 December 2006.

Accounting treatment

After the reconstitution of the board, the Group cannot access to the accounting records and management accounts of the associate for the two years ended 31 December 2007 and 2006, the interest in the associate was accounted for in the consolidated financial statements under the equity method using the financial information of the associate as at 31 December 2005.

18. GOODWILL

	The Group
	HK$'000
Cost:	
At 1 January 2006, 31 December 2006 and 31 December 2007	9,697
Accumulated impairment losses:	
At 1 January 2006	—
Impairment loss	9,697
At 31 December 2006 and 2007	9,697
Carrying amount:	
At 31 December 2007	—
At 31 December 2006	—

Impairment test for the cash-generating unit containing goodwill

For the purposes of impairment testing, goodwill has arisen from the acquisition of a subsidiary, New Champion International Limited ("New Champion"). New Champion is an investment vehicle holding 45% interests in Beijing AIS (see note 17). Other than holding the 45% interests in Beijing AIS, New Champion does not have any business and own any material assets. Beijing AIS is principally engaged in the development and sale of Jukebox in the PRC.

Goodwill acquired has been allocated to the cash generating unit of Beijing AIS.

As explained in note 17, the Group no longer has access to the accounting records and management account of Beijing AIS for the years ended 31 December 2007 and 2006. The Company's directors are currently negotiating an arrangement for the Group to access the financial information of Beijing AIS with the management of Beijing AIS but has been unable reach an agreement at this point in time. The Company's directors consider that a full impairment loss for goodwill of approximately HK$9,697,000 was necessary during the year ended 31 December 2006.

19. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

On 30 March 2005, the Group entered into an equity transfer agreement with Mighty Wish Services Limited ("Mighty Wish") and an independent third party (the "Equity Transfer Agreement"). Pursuant to the Equity Transfer Agreement, the Group agreed to acquire the entire equity interest in both Mighty Wish and Shanghai Ruijin Translation Company Limited ("Translation Company") from this independent third party for a consideration of HK$19,500,000 subject to the conditions that the Translation Company has been reorganised as a wholly owned subsidiary of Mighty Wish or with prior written consent of the Group, under the PRC laws and regulations, that the Translation Company has been legally and validly converted into a wholly owned foreign enterprise within 90 days after the execution of the Equity Transfer Agreement. The Equity Transfer Agreement shall be terminated forthwith in the event that if the conditions set out above is not fulfilled within 90 days after the execution of the Equity Transfer Agreement. The independent third party shall return the entire amount of the Deposit (without interest) to the Group.

On 28 June 2005, the Group, the independent third party and Mighty Wish entered into a supplementary agreement to the Equity Transfer Agreement ("Supplemental Agreement") pursuant to which the long stop date for the fulfillment of such condition precedent to the completion of the Acquisition was extended from 90 days to 180 days after the execution of the Equity Transfer Agreement.

During the year ended 31 December 2005, the Group has paid an aggregate amount of approximately HK$12,710,000 which was retained as a deposit for the acquisition of Mighty Wish and Translation Company. The transactions have not yet completed and the long stop date was expired as at the balance sheet date. Such deposit was still outstanding as at 31 December 2007 and 2006.

The Company's directors believe that the above transaction will not be completed, and the directors of the Company are of opinion that they will make their effort to trace this debtor to refund such deposit.

On 16 May 2006, Surplus Trade Investment Limited ("Surplus Trade"), a wholly owned subsidiary of the Company, entered into another equity transfer agreement with Mr. Wong Chi Wai ("Mr. Wong"), an independent third party. Pursuant to the agreement, Surplus Trade agreed to acquire the entire equity interest in First Preview Limited and its subsidiaries (together referred to as the "First Preview Group") for a consideration of HK$42,000,000. First Preview Group is engaged in hotel business.

During the year ended 31 December 2006, the Group has paid an aggregate amount of HK$10,000,000 which was retained as a deposit for the acquisition of First Preview Group. As certain conditions set out in such equity transfer agreement has not yet been fulfilled, the transaction cannot completed at the balance sheet date. This deposit was still outstanding as at 31 December 2007 and 2006.

However, the Company was informed by the Stock Exchange that such acquisition would not be in full compliance with rule 19.88 of the GEM Listing Rules (the "Rule 19.88"), and the waiver of the requirements of the Rule 19.88 is not granted in this case pursuant to the rule 19.89 of the GEM Listing Rules. In the event that no revised structure of the acquisition could be agreed upon, the parties terminated the said conditional equity transfer agreement as the conditions precedent could not be fulfilled, and Mr. Wong should refund the deposit of HK$10,000,000 to the Group. The directors of the Company are of opinion that they will make their effort to trace this debtor to refund such deposit.

The Company's directors are of the opinion that no impairment loss for these deposits is considered necessary in respect of the years ended 31 December 2007 and 2006.

20. TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors	11,308	10,568	—	—
Less: Allowance for doubtful debts *(note 20(b))*	(11,308)	(10,515)	—	—
	—	53	—	—
Other debtors	30	591	30	64
Amounts due from subsidiaries	—	—	11,370	11,175
Loans and receivables	30	644	11,400	11,239
Deposits and prepayments	603	103	234	—
	633	747	11,634	11,239

The amounts due from the subsidiaries (net of accumulated impairment losses of approximately HK$20,500,000 (2006: HK$20,500,000)) are unsecured, non-interest bearing and has no fixed terms of repayment. The impairment loss of approximately HK$Nil (2006: HK$20,500,000) for the year ended 31 December 2007 has been made for the amounts due.

Debts are due for payment at the date of billing. Credit term granted by the Group to customers is generally between one to six months. Subject to negotiation, extended credit terms are available for certain major customers with well-established trading records.

All of the trade and other receivables, apart from amounts due from subsidiaries, are expected to be recovered or recognised as expense within one year.

a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Over 360 days	—	53

b) Impairment of trade debtors

Impairment losses in respect of trade debtors 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 debtors directly (see note 3(j)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
At 1 January	10,515	9,804
Exchange adjustments	736	589
Impairment loss recognised	57	225
Uncollectible amounts written off	—	(103)
At 31 December	11,308	10,515

Trade debtors are collectively considered to be impaired in accordance with their ageing.

c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
1 year past due	—	53

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances, denominated in				
— Hong Kong dollars and United States dollars	502	2	—*	—
— Renminbi	173	162	—	—
Cash and cash equivalents in the balance sheets and consolidated cash flow statement	675	164	—	—

* Less than HK$1,000

Cash and cash equivalents of approximately HK$173,000 (equivalent to approximately RMB162,000) (2006: HK$162,000 (equivalent to approximately RMB162,000)) are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restriction imposed by the PRC government.

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to the subsidiaries	—	—	10,162	8,136
Trade creditors	395	369	—	—
Bank loan interest payable	3,526	1,704	—	—
Other creditors and accrued charges	5,832	4,899	1,081	1,093
Financial liabilities measured at amortised cost	9,753	6,972	11,243	9,229

The amounts due to the subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Over 360 days	395	369

23. AMOUNTS DUE TO FORMER DIRECTORS/A DIRECTOR/A SHAREHOLDER

The amounts are unsecured, interest free and repayable on demand.

24. BANK LOAN, UNSECURED

At 31 December 2007, the bank loan was carried at amortised cost and payable as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
On demand	14,980	14,000

The unsecured bank loan was matured on 30 May 2005 and the Group defaulted on the repayment of such bank loan. The unsecured bank loan of RMB14,000,000 (equivalent to approximately HK$14,980,000) (2006: RMB14,000,000 (equivalent to approximately HK$14,000,000)) has been overdue and was bearing interest at 9.558% (2006: 9.558%) per annum. As at 31 December 2007, the lender has not agreed to waive its right to demand immediate payment as at the balance sheet date. The Group is planning to further liaise with the relevant bank and enter into the settlement arrangement in future.

The unsecured bank loan is guaranteed by a subsidiary of a former shareholder.

25. OTHER LOAN PAYABLE, UNSECURED

At 31 December 2007, the other loan was carried at amortised cost and payable as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
On demand	495	436

The other loan of RMB462,500 (equivalent to approximately HK$495,000) (2006: RMB462,000 (equivalent to approximately HK$436,000)) advanced from an independent third party is interest free and repayable on demand.

26. RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Group participate in a defined contribution retirement scheme (the "Scheme") organised by the PRC municipal government whereby the PRC subsidiaries are required to contribute to the Scheme for the retirement benefits of eligible employees. Contributions made are calculated based on 19% to 34% of the payroll costs of the eligible employees. The PRC municipal government is responsible for the administration of the Scheme. The PRC subsidiaries are not liable to any retirement benefits beyond its obligation to contribute.

For providing retirement benefits to its employees in Hong Kong, the Group has set up a mandatory provident fund ("MPF") scheme which is available to all Hong Kong employees. The Group's and the employees' contributions to the MPF scheme are based on 5% of the relevant income of the relevant employees in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance and related regulations.

Contributions made to the above schemes by the Group amounted to approximately HK$58,000 (2006: HK$74,000) for the year. No other scheme for the retirement benefit is participated by the Group.

27. EQUITY SETTLED SHARE-BASED TRANSACTIONS

A share option scheme (the "Scheme") of the Company was adopted on 25 November 2003 for the purpose of providing incentives and rewards to eligible participants, including the executive directors of the Company, who contribute to the success of the Group's operations.

The Board of Directors of the Company may, at their discretion, grant option to the eligible participants including any employees, directors, suppliers, customers, advisors, consultants, joint venture partners and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities. The maximum number of shares of the Company which may be issued upon exercise of all options granted under its Scheme or any other share option scheme adopted by the Company must not exceed 30% of its issued share capital from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 20,000,000 shares, being 10 per cent of the shares in issue unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by substantial shareholder in a general meeting of the Company. Any grant of options under the Scheme to a director, chief executive, management shareholder or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 31 December 2006, the number of shares of the Company in respect of which options had remained outstanding under the Scheme of the Company was 8,000,000, representing 4% of the shares of the Company in issue at that date.

The offer of a grant of share options may be accepted within 21 business days from the date of the offer of grant of the option. The consideration for a grant of options the Company is HK$1.00. The exercise period of the share options granted is determined by the Board of Directors.

The exercise price of the share options is determined by the Board of Directors providing that the exercise price of the share options shall not be less than the highest of (i) the closing price of the shares on GEM as stated in the Stock Exchange's daily quotations on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares on GEM as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No share option under the Scheme was granted during the years ended 31 December 2007 and 2006.

The number and weighted average exercise prices of share options are as follows:

	2007 Weighted average exercise price	2007 Number of options '000	2006 Weighted average exercise price	2006 Number of options '000
Outstanding at the beginning of the year	HK$0.22	8,000	HK$0.24	15,070
Lapsed during the year	HK$0.22	(8,000)	HK$0.26	(7,070)
Outstanding at the end of the year	—	—	HK$0.22	8,000
Exercisable at the end of the year	—	—	HK$0.22	8,000

The options outstanding at 31 December 2006 had an exercise price of HK$0.45 or HK$0.14 and a weighted average remaining contractual life of 9 years.

28. DEFERRED TAXATION NOT RECOGNISED

The Group has not recognised deferred tax assets in respect of tax losses of approximately HK$15,711,000 (2006: HK$15,395,000) as it is not probable that future taxable profits will be available against which the asset can be utilised. The Group's tax losses of approximately HK$15,395,000 and HK$316,000 will expire in five years from the year the tax losses were resulted and do not expire under the current tax legislation respectively.

The Company had no significant potential deferred tax assets and liabilities for the year and at the balance sheet date.

29. CAPITAL AND RESERVES

a) The Group

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital surplus HK$'000	General reserve HK$'000	Exchange reserve HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2006	2,000	30,224	15,090	2,927	—	3,282	(42,197)	11,326	1,000	12,326
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	—	(550)	—	—	(550)	23	(527)
Share options lapsed	—	—	—	—	—	(1,540)	1,540	—	—	—
Loss for the year	—	—	—	—	—	—	(11,248)	(11,248)	282	(10,966)
At 31 December 2006	2,000	30,224	15,090	2,927	(550)	1,742	(51,905)	(472)	1,305	833
At 1 January 2007	2,000	30,224	15,090	2,927	(550)	1,742	(51,905)	(472)	1,305	833
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	—	(1,466)	—	—	(1,466)	91	(1,375)
Share options lapsed	—	—	—	—	—	(1,742)	1,742	—	—	—
Loss for the year	—	—	—	—	—	—	(5,376)	(5,376)	(11)	(5,387)
At 31 December 2007	2,000	30,224	15,090	2,927	(2,016)	—	(55,539)	(7,314)	1,385	(5,929)

b) The Company

	Share capital	Share premium	Share-based compensation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	2,000	30,224	3,282	(14,476)	21,030
Share options lapsed	—	—	(1,540)	1,540	—
Loss for the year	—	—	—	(20,399)	(20,399)
At 31 December 2006	2,000	30,224	1,742	(33,335)	631
At 1 January 2007	2,000	30,224	1,742	(33,335)	631
Share options lapsed	—	—	(1,742)	1,742	—
Loss for the year	—	—	—	(861)	(861)
At 31 December 2007	2,000	30,224	—	(32,454)	(230)

c) Share capital

i) Authorised and issued share capital

	2007		2006	
	No. of shares		No. of shares	
	'000	*HK$'000*	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	4,000,000	40,000	4,000,000	40,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	200,000	2,000	200,000	2,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

ii) Terms of unexpired and unexercised share options at balance sheet date

	Exercise price	2007 Number	2006 Number
Exercise period			
17 January 2005 to 16 January 2015	HK$0.45	—	2,000,000
10 October 2005 to 9 October 2015	HK$0.14	—	6,000,000
		—	8,000,000

Each option entitles the hold to subscribe for one ordinary share in the Company. Further details of these options are set out in note 27 to the financial statements. All options outstanding at 31 December 2006 were lapsed during the year ended 31 December 2007.

d) Nature and purpose of reserves

i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall in the ordinary course of business.

ii) Capital surplus

Capital surplus mainly represents the waiver of loans from the then shareholders of Besto Investment Limited, which was contributed as part of the capital to SJTU Sunway Information Technology Co., Ltd.

iii) General reserve

According to its articles of association of the subsidiaries in the PRC, the subsidiaries are required to set up a general reserve and the transfer to this fund are at the discretion of the Company. This fund can be utilised to acquire property, plant and equipment, to increase current assets and may be converted into paid-in capital. Transfers from this fund are subject to approval by its board of directors.

iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt within in accordance with the accounting policies set out in note 3(s).

v) Share-based compensation reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the company recognised in accordance with the accounting policy adopted for share based payments in note 3(o)(ii).

e) Distributability of reserves

At 31 December 2007 and 2006, the Company did not have any reserves available for distribution to equity shareholders of the Company.

f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of (i) debt, which includes bank and other borrowings; (ii) cash and cash equivalents; and (iii) capital, which comprises all components of equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to balance its overall capital structure, the Group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are mitigated by the Group's financial management policies and practices described below.

a) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet after deducting impairment allowance. In order to minimize the credit risk, the management of the Group has 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 debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

The Group's credit risk is primarily attributable to trade and other receivables. Management has credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

b) Liquidity risk

Liquidity risk is the that the Group is unable to meet its current obligations when they fall due.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The total contractual undiscounted cash flows of the Group's and the Company's non-derivative financial liabilities are the same as their carrying amounts as their remaining contractual maturities are within one year.

c) Interest rate risk

The interest rates and maturity information of the Group's bank loans is disclosed in note 24. The Group policy is to manage its interest rate risk to ensure there are no undue exposure to significant interest rate movements and rates are approximately fixed. The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not use derivative financial instruments to hedge its debt obligations. Therefore, any future variations in interest rate would not have a significant impact on the results of the Group.

d) Currency risk

As most of the Group's monetary assets and liabilities are denominated in Hong Kong Dollars and Renminbi, and the Group conducted its business transactions principally in Hong Kong Dollars during the year ended 31 December 2007, the Group experiences only immaterial exchange rate fluctuations. The Group considers that as the exchange rate risk of the Group is not significant, the Group did not employ any financial instruments for hedging purpose.

e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2006.

31. OPERATING LEASE COMMITMENTS

At 31 December 2007 the total future minimum lease payments under non-cancellable operating lease in respect of an office property are repayable as follows:

	The Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within 1 year	661	—
After 1 year but within 5 years	110	—
	771	—

The Group is the leasee in respect of a property under operating lease. The lease typically runs for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

32. MATERIAL RELATED PARTY TRANSACTIONS

a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Short-term employee benefits	1,319	1,055
Post-employment benefits	27	36
	1,346	1,091

Total remuneration is included in "staff costs" (see note 7(b)).

b) Financing arrangements

		Amounts owed to related parties As at 31 December		Related interest (expenses)/income Year ended 31 December	
		2007	**2006**	**2007**	**2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due to former directors	(i), (ii)	—	1,370	—	—
Due to a director	(i), (ii)	14	10	—	—
Due to a shareholder	(i), (ii)	5,032	—	—	—

Notes:

i) The outstanding balances with these related parties are unsecured, interest free and have no fixed repayment terms.

ii) Further details of the amounts due to former directors/a director/a shareholder are disclosed in note 23.

Details of new advances and repayments during the period are disclosed in the consolidated cash flow statement.

33. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in the year ended 31 December 2007. Further details of these developments are disclosed in note 4.

34. ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Notes 18 and 30 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

a) Impairments

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, intangible assets and investments in subsidiaries and associate, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as the level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on a reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

Allowance for impairment of doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the allowance for impairment of doubtful debts would affect profit or loss in future years.

b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

c) Impairment losses for goodwill

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that goodwill may be impaired. If any such indication exists, the recoverable amount of the goodwill is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, HKFRS 8, Operating segments, which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

36. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2007, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be S&D Holdings Group Limited ("a shareholder"), which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

Set out below is the audited financial statements of the Group for the year ended 31 December 2006 as extracted from the Company's 2006 annual report. For avoidance of doubt, capitalised terms used therein shall have the same meanings, as ascribed to them in the Company's 2006 annual report and reference to page numbers stated therein shall refer to that of the Company's 2006 annual report.

Consolidated Income Statement
For the year ended 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
Turnover	4	715	3,764
Cost of sales		(549)	(2,592)
Gross profit		166	1,172
Other revenue	5	6	146
Selling and distribution expenses		(110)	(4,824)
Research and development costs		(4,502)	(1,598)
General and administrative expenses		(14,300)	(29,467)
Loss from operations		(18,740)	(34,571)
Finance costs		(1,483)	(1,125)
Waiver of amount due to a former shareholder		23,803	—
Impairment loss on goodwill		(9,697)	—
Impairment loss on interest in an associate		(4,849)	—
Share of losses of associates		—	(659)
Loss on disposal of an associate		—	(3,098)
Loss before taxation	6	(10,966)	(39,453)
Income tax	7(a)	—	(6)
Loss for the year		(10,966)	(39,459)
Attributable to:			
Equity shareholders of the Company		(11,248)	(38,372)
Minority interests		282	(1,087)
Loss for the year		(10,966)	(39,459)
Loss per share	11		
Basic		(5.62) cents	(19.19) cents
Diluted		N/A	N/A

Consolidated Balance Sheet
As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	13	—	1,614
Intangible assets	14	—	4,247
Interest in an associate	16	—	4,849
Goodwill	17	—	9,697
Deposits for acquisition of subsidiaries	18	22,710	12,710
		22,710	33,117
Current assets			
Trade and other receivables	19	747	1,542
Investment funds	20	—	16,427
Loans to minority shareholders	21	—	—
Cash and cash equivalents		164	561
		911	18,530
Current liabilities			
Trade and other payables	22	6,972	6,138
Amount due to a former shareholder	23	—	18,217
Amounts due to former directors	24	1,370	1,322
Amount due to a director	24	10	—
Bank loan, unsecured	25	14,000	13,208
Other loan payable, unsecured	26	436	436
		22,788	39,321
Net current liabilities		(21,877)	(20,791)
NET ASSETS		833	12,326
CAPITAL AND RESERVES			
Share capital	30	2,000	2,000
Reserves	30	(2,472)	9,326
Total equity attributable to equity shareholders of the Company		(472)	11,326
Minority interests		1,305	1,000
TOTAL EQUITY		833	12,326

Balance Sheet
As at 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Investments in subsidiaries	15	1	13,757
Current assets			
Trade and other receivables	19	11,239	25,393
Cash and cash equivalents		—	2
		11,239	25,395
Current liabilities			
Trade and other payables	22	9,229	4,040
Amount due to a former shareholder	23	—	12,760
Amounts due to former directors	24	1,370	1,322
Amount due to a director	24	10	—
		10,609	18,122
Net current assets		630	7,273
NET ASSETS		631	21,030
CAPITAL AND RESERVES			
Share capital	30	2,000	2,000
Reserves	30	(1,369)	19,030
TOTAL EQUITY		631	21,030

Consolidated Statement of Changes in Equity
As at 31 December 2006

	2006	2005
	HK$'000	*HK$'000*
Total equity at 1 January	12,326	48,503
Net loss recognised directly in equity:		
Exchange differences on translation of financial statement of overseas subsidiaries	(527)	—
Loss for the year	(10,966)	(39,459)
Movement in equity arising from capital transactions:		
Equity settled share-based transactions	—	3,282
Total equity at 31 December	833	12,326

Consolidated Cash Flow Statement
For the year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		(10,966)	(39,453)
Adjustments for:			
Amortisation of intangible assets		1,329	1,160
Impairment loss on intangible assets		3,173	438
Depreciation of property, plant and equipment		242	1,231
Impairment loss on property, plant and equipment		1,468	—
Loss on investment funds		6,411	—
Loss on disposal of property, plant and equipment		—	47
Finance costs		1,483	1,125
Interest income		(1)	(82)
Equity-settled share-based payment expenses		—	3,282
Impairment loss for trade and other receivables		519	7,446
Waiver of amount due to a former shareholder		(23,803)	—
Impairment loss on goodwill		9,697	—
Impairment loss on interest in an associate		4,849	—
Write-off of trade and other receivables		331	—
Impairment loss on inventories		—	2,636
Write-off of property, plant and equipment		—	1,906
Write-off of deposit for acquisition of property, plant and equipment (included in other receivables)		—	3,774
Share of losses of associates		—	659
Loss on disposal of an associate		—	3,098
Operating loss before changes in working capital		(5,268)	(12,733)
Increase in inventories		—	(77)
Decrease in trade and other receivables		32	2,918
(Decrease)/increase in trade and other payables		(872)	557
CASH USED IN OPERATIONS		(6,108)	(9,335)
Tax recovered			
Income taxes recovered		—	105
NET CASH USED IN OPERATING ACTIVITIES		(6,108)	(9,230)

	Note	2006 *HK$'000*	2005 *HK$'000*
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		—	(501)
Proceeds from disposal of property, plant and equipment		—	128
Expenditure on development projects		—	(1,271)
Net cash outflow from acquisition of subsidiary	33	—	(15,000)
Payment for deposits for acquisition of subsidiaries		(10,000)	(10,804)
Decrease/(increase) in investment funds		10,016	(8,461)
Interest received		1	82
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		17	(35,827)
FINANCING ACTIVITIES			
Repayment of bank loan		—	(943)
Repayment of other loan payable		—	(35)
Advance from directors		58	657
Advance from a shareholder		5,603	15,789
Interest paid		—	(916)
NET CASH FROM FINANCING ACTIVITIES		5,661	14,552
NET DECREASE IN CASH AND CASH EQUIVALENTS		(430)	(30,505)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		561	31,066
Effect of foreign exchange rate changes		33	—
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		164	561

Notes to the Financial Statements

For the year ended 31 December 2006

1. COMPANY BACKGROUND

SJTU Sunway Software Industry Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is located at Room 2801, 28/F, China Merchant Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong.

The principal activity of the Group during the year is the provision of information localisation services.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) State of books and records maintained by certain subsidiaries

The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, after the reconstitution of the board, the Group no longer has access to certain books and records in respect of SJTU Sunway Information Technology Co. Ltd., SUNV (Beijing) Century Information Technology Co., Ltd., Beijing Guoxin Sunway IT Co., Ltd., Shanghai Sunway Century IT Co., Ltd., and Fujian Multi Language Translation Service Company Limited, the subsidiaries of the Company. The present directors have asked for co-operation from the former directors to assist in locating the relevant information and documents. However, the present directors has lost contact with certain former directors and are still unable to locate the relevant information and documents within the time constraint in the preparation of these financial statements. Hence, only limited books and records of these subsidiaries are accessible by the present directors. In view of the foregoing, no representations as to the completeness of the books and records could be given by the present directors although care has been taken in the preparation of the financial statements to mitigate the effect of the incomplete records. The directors have in the assessment of the Group's assets and liabilities taken such steps as they considered practicable to establish these assets and liabilities based on the information of which they were aware and have made provisions and adjustments as they considered appropriate in the preparation of these financial statements.

On this basis, the directors believe that no significant liability has not been included in these financial statements.

b) Going concern

At 31 December 2006, the Group had net current liabilities of HK$21,877,000, including the Group's short-term bank loans of approximately HK$14,000,000 which have been overdue as at the date of authorisation for issue of these financial statements.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted the following measures:

i) The directors of the Company are in ongoing negotiations with the Group's banker to reschedule the repayment of bank borrowings due from the Group and to seek the ongoing support to the Group from this banker and another bankers.

ii) The directors of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, a private placement, an open offer or a rights issue of new shares of the Company.

iii) The directors of the Company continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

In the opinion of the directors of the Company, in light of the measures taken to date, together with expected results of other measures in progress, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable going concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity position at 31 December 2006.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. These new and revised HKFRSs have no significant impact on the results or the financial position of the Group and the Company for current and previous accounting periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

b) Basis of preparation of the Financial Statements

The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. All financial information presented in Hong Kong dollars has been rounded to the nearest thousand.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

c) Subsidiaries and Minority Interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any future 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.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3(l) or (m) depending the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

d) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in the associate recognised for the year (see notes 3(e)) and (j)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group 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.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3(j)). In respect of associate, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

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 or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

f) Investment Fund

Investment funds are classified as current assets. Investment funds are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(j)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	over the shorter of 5 years or the unexpired terms of leases
Computer and other equipment	4-5 years
Furniture and fixtures	3 years
Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

h) Intangible Assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 3(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 3(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The capitalised development costs with finite useful lives are amortised from the date they are available for use and their estimated useful lives are five years.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

i) Leased assets

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

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

j) Impairment of assets

i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— investments in subsidiaries and associates; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price 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 assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whether the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 3(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 3(j)).

l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

n) Cash and cash equivalents

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

o) Employee benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based compensation reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the foreseeable future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    - the same taxable entity; or

    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax liabilities on a net basis or realise and settle simultaneously.

q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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 future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

r) Revenue recognition

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 in the profit or loss as follows:

i) Provision of information localisation services

Revenue from the provision of information localisation services are recognised when the services are rendered.

ii) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and related risks and rewards of ownership. Revenue excludes value addes tax or other sales taxes and is after deduction of any trade discounts.

iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

t) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

u) 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;

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.

v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. TURNOVER

Turnover represents the revenue from the provision of information localisation services and the sales value of goods sold after allowances for goods returned, excludes value added or other sales taxes and is after the deduction of any trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Information localisation services	715	3,759
General software	—	5
	715	3,764

5. OTHER REVENUE

	2006	**2005**
	HK$'000	*HK$'000*
Interest income	1	82
Other income	5	64
	6	146

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

a) Research and development costs

	2006	**2005**
	HK$'000	*HK$'000*
Staff costs	—	651
Rental expenses	—	577
Others	—	43
	—	1,271
Less: Amount capitalised *(note 14)*	—	(1,271)
	—	—
Add: Amortisation of intangible assets	1,329	1,160
Impairment loss of intangible assets	3,173	438
	4,502	1,598

b) Finance costs

	2006 HK$'000	2005 HK$'000
Interest on bank borrowings wholly repayable within five years	1,483	1,125

c) Staff costs (including directors' remuneration)

	2006 HK$'000	2005 HK$'000
Salaries, wages and allowances	2,181	5,115
Equity-settled share-based payment expenses	—	2,034
Contributions to retirement benefits schemes *(Note 27)*	74	396
	2,255	7,545

d) Other items

	2006 HK$'000	2005 HK$'000
Auditors' remuneration		
— current year	300	325
— over-provision in prior year	—	(48)
Depreciation of property, plant and equipment	242	1,231
Amortisation of intangible assets	1,329	1,160
Impairment losses in respect of		
— Interests in an associate	4,849	—
— Goodwill	9,697	—
— Intangible assets	3,173	438
— Inventories	—	2,636
— Trade and other receivables	519	7,446
— Property, plant and equipment	1,468	—
Loss on investment funds	6,411	—
Loss on disposal of property, plant and equipment	—	47
Loss on disposal of an associate	—	3,098
Write-off of property, plant and equipment	—	1,906
Write-off of deposit for acquisition of property, plant and equipment (included in other receivables)	—	3,774
Write-off of trade and other receivables	331	—
Operating lease charges in respect of properties: minimum lease payments	132	1,488
Net foreign exchange loss	—	14
Equity-settled share-based payment expenses	—	1,248

7. INCOME TAX IN THE CONSOLIDATION INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Current tax — PRC income tax		
Provision for the year	—	6

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits the years ended 31 December 2006 and 2005.

For the year ended 31 December 2006, no provision for PRC income tax has been made as the Group has no estimated assessable profits for the year. For the year ended 31 December 2005, the PRC income tax of the Group represented the provision for the PRC income tax on profits of subsidiaries operating in the PRC which have been calculated at the prevailing income tax rates ranging from 7.5% to 33% under the relevant PRC income tax rules and regulations applicable to the subsidiaries.

As foreign investment enterprises in the PRC, two subsidiaries of the Company are granted certain tax relief, under which they are entitled to income tax exemption for first three profit making years and to a 50% relief for PRC income tax to the following three years, after which the subsidiaries' profits are subject to PRC income tax at the rate of 15%.

b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2006	2005
	HK$'000	*HK$'000*
Loss before tax	(10,966)	(39,453)
Notional tax on loss before tax, calculated at the rates applicable to losses in the tax jurisdictions concerned	(1,572)	(3,341)
Tax effect of non-deductible expenses	4,236	2,008
Tax effect on non-taxable income	(2,426)	—
Tax effect of prior years' tax losses utilised this year	(411)	—
Tax effect on unused tax losses not recognised	173	1,339
Actual tax expense	—	6

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Share-based payments	Contributions to retirement benefits schemes	2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Sze Wai, Marco *(note 8)*	—	200	—	10	210
He En Pei *(note 6)*	—	205	—	8	213
Shang Guan Bu Yan *(note 8)*	—	100	—	5	105
Chen Si Gen *(note 8)*	—	150	—	8	158
Tan Shu Jiang *(note 2)*	—	100	—	5	105
Independent Non-Executive Directors					
Wang Tian Ye *(note 1)*	100	—	—	—	100
Wang Bin *(note 1)*	100	—	—	—	100
Xu Shi Hong *(note 1)*	100	—	—	—	100
	300	755	—	36	1,091

	Directors' fees	Salaries, allowances and benefits in kind	Share-based payments	Contributions to retirement benefits schemes	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Sze Wai, Marco *(note 8)*	—	240	170	12	422
He En Pei *(note 6)*	—	280	546	12	838
Chu Chi Shing *(note 7)*	—	90	—	4	94
Shang Guan Bu Yan *(note 8)*	—	120	113	6	239
Chen Si Gen *(note 8)*	—	180	113	9	302
Wang Hui Bo *(note 7)*	—	135	—	7	142
He Zhan Tao *(note 7)*	—	180	61	9	250
Chen Cheng Ping *(note 4)*	—	10	—	1	11
Tan Shu Jiang *(note 2)*	—	20	—	1	21
Independent Non-Executive Directors					
Wang Tian Ye *(note 1)*	120	—	23	—	143
Wang Bin *(note 1)*	66	—	—	—	66
Xu Shi Hon *(note 1)*	66	—	—	—	66
Song Jing Sheng *(note 5)*	54	—	—	—	54
Ho Chen-yu *(note 3)*	73	—	—	—	73
	379	1,255	1,026	61	2,721

Notes:

1. Appointed on 13 June 2005 and resigned on 27 March 2007
2. Appointed on 1 November 2005
3. Retired on 6 May 2005
4. Resigned on 4 February 2005
5. Resigned on 13 June 2005
6. Resigned on 6 September 2006
7. Resigned on 1 October 2005
8. Resigned on 1 February 2007

For the years ended 31 December 2006 and 2005, no emoluments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. During the years ended 31 December 2006 and 2005, no fee or any other emolument was waived by the Company's directors.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2005: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other (2005: one) individual are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other emoluments	251	225
Contributions to retirement benefits scheme	10	9
	261	234

The emoluments of the other individual (2005: one) with the highest emoluments are within the following band:

	2006 Number of individuals	2005 Number of individuals
Nil – HK$1,000,000	1	1

There were no amounts paid or payable during the years ended 31 December 2006 and 2005 to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

10. DIVIDEND

No dividend was paid or proposed during the two years ended 31 December 2006 and 2005 nor has any dividend been proposed since the balance sheet date.

11. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of approximately HK$11,248,000 (2005: HK$38,372,000) and the weighted average of 200,000,000 (2005: 200,000,000) ordinary shares in issue during the year.

b) Diluted loss per share

There were no dilutive potential ordinary share in issue during the years ended 31 December 2006 and 2005 as no diluting events were existed during these two years.

12. SEGMENT REPORTING

Business segmental information for the year ended 31 December 2006 and 2005 are shown as below and is chosen as the primary reporting format because this is more relevent to the Group's internal financial reporting.

As the Group mainly operates in the People's Republic of China (the "PRC"), no geographical segment information is presented.

Business segments

The Group comprise the following main business segments:

i) Information localisation services

To provide translation and information localisation services.

ii) General software

The development and sale of a range of self developed standardised software products.

For the year ended 31 December 2006

	Information localisation services	General software	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	715	—	715
Segment result	(14,389)	—	(14,389)
Unallocated operating income and expenses			(4,351)
Loss from operations			(18,740)
Finance costs			(1,483)
Waiver of amount due to a former shareholder			23,803
Impairment loss on goodwill			(9,697)
Impairment loss on interest in an associate			(4,849)
Loss before tax			(10,966)
Income tax			—
Loss for the year			(10,966)
Depreciation and amortisation	1,571	—	
Impairment loss on intangible assets	3,173	—	
Impairment loss for trade and other receivables	519	—	
Impairment loss on property, plant and equipment	1,468	—	
Capital expenditure	—	—	
At 31 December 2006			
Segment assets	447	—	447
Unallocated assets			23,174
Consolidated total assets			23,621
Segment liabilities	1,040	—	1,040
Unallocated liabilities			21,748
Consolidated total liabilities			22,788

For the year ended 31 December 2005

	Information localisation services *HK$'000*	General software *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	3,759	5	3,764
Segment result	(9,915)	(12,366)	(22,281)
Unallocated operating income and expenses			(12,290)
Loss from operations			(34,571)
Finance costs			(1,125)
Share of losses of associates			(659)
Loss on disposal of an associate			(3,098)
Loss before tax			(39,453)
Income tax			(6)
Loss for the year			(39,459)
Depreciation and amortisation	2,392	—	
Impairment loss on intangible assets	—	438	
Impairment loss for trade and other receivables	—	3,566	
Impairment loss on inventories	—	2,636	
Loss on disposal of property, plant and equipment	—	47	
Write-off of property, plant and equipment	—	1,906	
Write-off of deposit for acquisition of property, plant and equipment (included in other receivables)	—	3,774	
Capital expenditure	501	—	
Segment assets	8,563	—	8,563
Unallocated assets			43,084
Consolidated total assets			51,647
Segment liabilities	2,852	—	2,852
Unallocated liabilities			36,469
Consolidated total liabilities			39,321

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2005	1,962	3,583	1,323	929	7,797
Additions	378	123	—	—	501
Disposals/write-off	(1,857)	(1,530)	(185)	(143)	(3,715)
At 31 December 2005 and 1 January 2006	483	2,176	1,138	786	4,583
Exchange adjustments	29	130	68	47	274
At 31 December 2006	512	2,306	1,206	833	4,857
Accumulated depreciation					
At 1 January 2005	257	2,066	595	453	3,371
Charge for the year	373	480	267	111	1,231
Eliminated on disposals/ write-off	(536)	(882)	(113)	(102)	(1,633)
At 31 December 2005 and 1 January 2006	94	1,664	749	462	2,969
Exchange adjustments	5	100	45	28	178
Charge for the year	—	68	75	99	242
Impairment losses	413	474	337	244	1,468
At 31 December 2006	512	2,306	1,206	833	4,857
Net book value					
At 31 December 2006	—	—	—	—	—
At 31 December 2005	389	512	389	324	1,614

Impairment loss

As explained in note 2(a), the present directors are unable to obtain a fixed assets register and all property, plant and equipment after the reconstitution of the board. As a result, the Group assessed the recoverable amounts of all property, plant and equipment. Based on this assessment, the directors consider that it is unlikely that these assets have any future value in use and the carrying amounts of those assets were fully impaired.

14. INTANGIBLE ASSETS

	The Group
	HK$'000
Cost	
At 1 January 2005	11,695
Additions through internal development	1,271
At 31 December 2005 and 1 January 2006	12,966
Exchange adjustments	778
At 31 December 2006	13,744
Accumulated amortisation/impairment	
At 1 January 2005	7,121
Charge for the year	1,160
Impairment loss	438
At 31 December 2005 and 1 January 2006	8,719
Exchange adjustments	523
Charge for the year	1,329
Impairment loss	3,173
At 31 December 2006	13,744
Net book value	
At 31 December 2006	—
At 31 December 2005	4,247

Intangible assets comprise computer software development costs. The intangible assets have finite useful lives and amortised on a straight line basis over five years.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Impairment loss

Owing to the unsatisfactory sales records on the computer software, the directors have performed an assessment on the recoverable amount of the development costs previously capitalised for these computer software. Based on this assessment, the directors consider that it is unlikely that these development costs have any future value in use and hence the carrying amount of these development costs in the amount of approximately HK$3,173,000 (2005: HK$438,000) were fully impaired.

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	13,765	13,757
Less: Accumulated impairment loss	(13,764)	—
	1	13,757

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31 December 2006 are as follows:

Name of company	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	held by the Company	held by subsidiary	Principal activities
Besto Investment Limited ("Besto")	British Virgin Islands ("BVI")	Hong Kong	US$14,833	100%	100%	—	Investment holding
Surplus Trade Investment Limited	BVI	BVI	US$1,000	100%	100%	—	Investment holding
SJTU Sunway Information Technology Co., Ltd. ("SJTU Sunway (Beijing)")*	PRC	PRC	RMB25,000,000	100%	—	100%	Provision of translation services and sales of general software
SUNV (Beijing) Century Information Technology Co., Ltd.*	PRC	PRC	RMB6,000,000	100%	—	100%	Provision of translation services
New Champion International Ltd.	BVI	BVI	US$500	100%	—	100%	Investment holding
Beijing Guoxin Sunway IT Co., Ltd.#	PRC	PRC	RBM2,000,000	51%	—	51%	Provision of translation services
Shanghai Sunway Century IT Co., Ltd.#	PRC	PRC	RMB5,000,000	90%	—	90%	Provision of translation services
Fujian Multi Language Translation Service Company Limited#	PRC	PRC	RMB5,000,000	75%	—	75%	Provision of translation services

* These are wholly foreign-owned enterprises established in the PRC.

These are domestic limited liability companies established in the PRC.

None of the subsidiaries had issued any debt securities at the year end 31 December 2006.

16. INTEREST IN AN ASSOCIATE

	The Group 2006 HK$'000	2005 HK$'000
Share of net assets	1,456	1,456
Goodwill	3,393	3,393
	4,849	4,849
Less: impairment loss	(4,849)	—
	—	4,849

The following list contains only the particulars of unlisted associate, which principally affected the results or assets of the Group as at 31 December 2006:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of paid-up capital	Proportion of ownership interest Group's effective interest	held by the Company	held by subsidiary	Principal activity
Beijing Advanced Information Storage Technology Co., Ltd. ("Beijing AIS") 北京爱思拓信息存儲技術有限公司	Incorporated	PRC	RMB12,500,000	45%	—	45%	Development and sales of jukebox and the provision of data storage services

Impairment loss

After the reconstitution of the board, the Group cannot access to the accounting records and management accounts of the associate for the year ended 31 December 2006. In the opinion of the Company's directors, the recoverable amount of interest in the associate is doubtful and a full impairment loss is provided for in the consolidated income statement.

Accounting treatment

After the reconstitution of the board, the Group cannot access to the accounting records and management accounts of the associate for the year ended 31 December 2006, the interest in the associate was accounted for in the consolidated financial statements under the equity method using the financial information of the associate as at 31 December 2005.

17. GOODWILL

	The Group
	HK$'000
Cost:	
At 1 January 2005	—
Arising on acquisition of a subsidiary *(see note 33)*	9,697
At 31 December 2005 and 2006	9,697
Accumulated impairment losses:	
At 1 January 2005, 31 December 2005 and 1 January 2006	—
Impairment loss	9,697
At 31 December 2006	9,697
Carrying amount:	
At 31 December 2006	—
At 31 December 2005	9,697

Impairment test for the cash-generating unit containing goodwill

For the purposes of impairment testing, goodwill has arisen from the acquisition of a subsidiary, New Champion International Limited ("New Champion"). New Champion is an investment vehicle holding 45% interests in Beijing AIS (see note 16). Other than holding the 45% interests in Beijing AIS, New Champion does not have any business nor own any material assets. Beijing AIS is principally engaged in the development and sale of Jukebox in the PRC.

Goodwill acquired has been allocated to the cash generating unit of Beijing AIS.

As explained in note 16, the Group no longer has access to the accounting records and management account of Beijing AIS for the year ended 31 December 2006. The Company's directors are currently negotiating an arrangement for the Group to access the financial information of Beijing AIS with the management of Beijing AIS but has been unable to reach an agreement at this point in time. The Company's directors consider that it is prudent to make a full impairment loss for goodwill of approximately HK$9,697,000.

18. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

On 30 March 2005, the Group entered into an equity transfer agreement with Mighty Wish Services Limited ("Might Wish") and an independent third party (the "Equity Transfer Agreement"). Pursuant to the Equity Transfer Agreement, the Group agreed to acquire the entire equity interest in both Mighty Wish and Shanghai Ruijin Translation Company Limited ("Translation Company") for a consideration of HK$19,500,000 subject to the conditions that the Translation Company has been reorganised as a wholly owned subsidiary of Mighty Wish or with prior written consent of the Group, under the PRC laws and regulations, that the Translation Company has been legally and validly converted into a wholly owned foreign enterprise within 90 days after the execution of the Equity Transfer Agreement. The Equity Transfer Agreement shall be terminated forthwith in the event that if the conditions set out above is not fulfilled within 90 days after the execution of the Equity Transfer Agreement. The independent third party shall return the entire amount of the Deposit (without interest) to the Group.

On 28 June 2005, the Group, the independent third party and Mighty Wish entered into a supplementary agreement to the Equity Transfer Agreement ("Supplemental Agreement") pursuant to which the long stop date for the fulfillment of such condition precedent to the completion of the Acquisition was extended from 90 days to 180 days after the execution of the Equity Transfer Agreement.

At 31 December 2006, the Group has paid an aggregate amount of approximately HK$12,710,000 (2005: HK$12,710,000) which was retained as a deposit for the acquisition of Mighty Wish and Translation Company. The transactions have not yet completed and the long stop date was expired as at the balance sheet date.

However, the Company's directors remained confident that the above transaction will be completed and the entire deposit will be converted into investment costs in subsidiaries.

On 16 May 2006, Surplus Trade Investment Limited ("Surplus Trade"), a wholly owned subsidiary of the Company, entered into another equity transfer agreement with Mr. Wong Chi Wai ("Mr. Wong"), an independent third party. Pursuant to the agreement, Surplus Trade agreed to acquire the entire equity interest in First Preview Limited and its subsidiaries (together referred to as the "First Preview Group") for a consideration of HK$42,000,000. First Preview Group is engaged in hotel business.

During the year ended 31 December 2006, the Group has paid an aggregate amount of HK$10,000,000 which was retained as a deposit for the acquisition of First Preview Group. As certain conditions set out in such equity transfer agreement has not yet been fulfilled, the transaction cannot completed at the balance sheet date.

However, the Company was informed by the Stock Exchange that such acquisition would not be in full compliance with rule 19.88 of the GEM Listing Rules (the "Rule 19.88"), and the waiver of the requirements of the Rule 19.88 is not granted in this case pursuant to the rule 19.89 of the GEM Listing Rules. In the event that no revised structure of the acquisition could not be agreed upon, the parties will terminate the said conditional equity transfer agreement as the conditions precedent could not be fulfilled, and Mr. Wong should refund the deposit of HK$10,000,000 to the Group. The Company's directors have confident that the said deposit will be recovered.

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from the subsidiaries	—	—	11,175	23,179
Trade debtors	53	417	—	—
Other debtors, deposits and prepayments	694	1,125	64	2,214
	747	1,542	11,239	25,393

The amounts due from the subsidiaries are unsecured, non-interest bearing and has no fixed terms of repayment. The impairment loss of approximately HK$20,500,000 has been made for the amounts due.

Debts are due for payment at the date of billing. Credit term granted by the Group to customers is generally between one to six months. Subject to negotiation, extended credit terms are available for certain major customers with well-established trading records.

All of the trade and other receivables, apart from amounts due from subsidiaries, are expected to be recovered within one year.

Included in trade and other receivables are trade debts (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within 30 days	—	12
31–120 days	—	33
121–240 days	—	65
241–360 days	—	307
Over 360 days	53	—
	53	417

20. INVESTMENT FUNDS

Pursuant to an agreement dated 1 June 2004, a subsidiary of the Company entered into an agreement with 北京盛邦投資有限公司 ("盛邦"), an independent PRC company, for a term of one year for the provision of advisory service on capital investment and expired on 30 June 2005. As at 31 December 2004, a total of approximately HK$7,967,000 was place with 盛邦 and recorded as investment funds.

On 30 June 2005, the subsidiary of the Company entered into a supplementary agreement to extend the provision of advisory service on capital investment for a further year and revised to expire on 30 June 2006. During the year ended 31 December 2005, the Group paid further deposits to 盛邦 approximately of HK$8,460,000 with an aggregate amount of approximately HK$16,427,000 held by 盛邦 as at 31 December 2005.

During the year ended 31 December 2006, the agreement for provision of advisory service on capital investment has expired. An aggregate amount of approximately HK$10,016,000 have been refunded from 盛邦. However, the directors are of the opinion that, the remaining balances of approximately HK$6,411,000 is unlikely to be refunded from 盛邦 and a loss on investment funds has been accounted for in the consolidated income statement.

21. LOANS TO MINORITY SHAREHOLDERS

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Loans to minority shareholders	1,396	1,396
Less: Impairment loss for bad and doubtful debts	(1,396)	(1,396)
	—	—

Loans to minority shareholders were unsecured, bearing interest at 3% per annum and were repayable before 31 December 2005. The amounts were overdue and in the opinion of the Company's directors, the amounts due from the minority shareholders were irrecoverable and accordingly, an impairment loss of approximately HK$1,396,000 was recognised in the consolidated income statement during the year ended 31 December 2005.

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to the subsidiaries	—	—	8,136	1,640
Trade creditors	369	352	—	—
Other creditors and accrued charges	6,603	5,786	1,093	2,400
	6,972	6,138	9,229	4,040

The amounts due to the subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the trade and other payables, apart from amounts due to subsidiaries, are expected to be recovered within one year.

Included in trade and other payables, are trade creditors with the following ageing analysis as of the balance sheet date:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Due within 90 days or on demand	—	12
Over 360 days	369	340
	369	352

23. AMOUNT DUE TO A FORMER SHAREHOLDER

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due thereto	—	18,217	—	12,760

Amount due to the former shareholder was unsecured, interest free and repayable on demand. During the year ended 31 December 2006, the former shareholder agreed to waive the amounts of approximately HK$23,803,000 and HK$17,752,000 due from the Group and the Company, respectively.

24. AMOUNTS DUE TO FORMER DIRECTORS AND A DIRECTOR

The amounts due to former directors and the director are unsecured, interest free and repayable on demand.

25. BANK LOAN, UNSECURED

At 31 December 2006, the bank loan was payable as follows:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
On demand or within one year	14,000	13,208

The unsecured bank loan amounting to approximately HK$14,000,000 (2005: HK$13,208,000) was bearing interest at 6.38% (2005: 6.38%) per annum and matured on 30 May 2005. The unsecured bank loan has been overdue and interest charge revised to 9.558% per annum. The Company is in the process of negotiating the terms with the relevant banker. As at 31 December 2006, those negotiations had not been concluded and the lender has not agreed to waive its right to demand immediate payment as at the balance sheet date.

The unsecured bank loan is guaranteed by a former shareholder of a subsidiary of the Company.

26. OTHER LOAN PAYABLE, UNSECURED

At 31 December 2006, the other loan was payable as follows:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
On demand or within one year	436	436

The other loan advanced from an independent third party is interest free and repayable on demand.

27. RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Group participate in a defined contribution retirement scheme (the "Scheme") organised by the PRC municipal government whereby the PRC subsidiaries are required to contribute to the Scheme for the retirement benefits of eligible employees. Contributions made are calculated based on 19% to 34% of the payroll costs of the eligible employees. The PRC municipal government is responsible for the administration of the Scheme. The PRC subsidiaries are not liable to any retirement benefits beyond its obligation to contribute.

For providing retirement benefits to its employees in Hong Kong, the Group has set up a mandatory provident fund ("MPF") scheme which is available to all Hong Kong employees. The Group's and the employees' contributions to the MPF scheme are based on 5% of the relevant income of the relevant employees in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance and related regulations.

Contributions made to the above schemes by the Group amounted to approximately HK$74,000 (2005: HK$396,000) for the year. No other retirement benefit scheme is participated by the Group.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS

A share option scheme (the "Scheme") of the Company was adopted on 25 November 2003 for the purpose of providing incentives and rewards to eligible participants, including the executive directors of the Company, who contribute to the success of the Group's operations.

The Board of Directors of the Company may, at their discretion, grant option to the eligible participants including any employees, directors, suppliers, customers, advisors, consultants, joint venture partners and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities. The maximum number of shares of the Company which may be issued upon exercise of all options granted under its Scheme or any other share option scheme adopted by the Company must not exceed 30% of its issued share capital from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 20,000,000 shares, being 10 per cent of the shares in issue unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by substantial shareholder in a general meeting of the Company. Any grant of options under the Scheme to a director, chief executive, management shareholder or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 31 December 2006, the number of shares of the Company in respect of which options had remained outstanding under the Scheme of the Company was 8,000,000 (2005: 15,070,000), representing 4% (2005: 7.54%) of the shares of the Company in issue at that date.

The offer of a grant of share options may be accepted within 21 business days from the date of the offer of grant of the option. The consideration for a grant of options the Company is HK$1.00. The exercise period of the share options granted is determined by the Board of Directors.

Total consideration received during the year ended 31 December 2006 from eligible participants for taking up the options granted is HK$Nil (2005: HK$45).

The exercise price of the share options is determined by the Board of Directors providing that the exercise price of the share options shall not be less than the highest of (i) the closing price of the shares on GEM as stated in the Stock Exchange's daily quotations on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares on GEM as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	**Vesting conditions**	**Contractual life of options**
Options granted to directors			
— on 17 January 2005	2,020,000	From the date of grant	10 years
— on 10 October 2005	4,700,000	From the date of grant	10 years
Options granted to employees			
—on 17 January 2005	3,480,000	From the date of grant	10 years
— on 10 October 2005	1,400,000	From the date of grant	10 years
Options granted to consultants			
— on 10 October 2005	6,700,000	From the date of grant	10 years
Options granted to other eligible participants			
— on 17 January 2005	2,000,000	From the date of grant	10 years
Total share options	20,300,000		

b) The number and weighted average exercise prices of share options are as follows:

	2006 Weighted average exercise price	2006 Number of options '000	2005 Weighted average exercise price	2005 Number of options '000
Outstanding at the beginning of the year	HK$0.24	15,070	—	—
Granted during the year	—	—	HK$0.25	20,300
Lapsed during the year	HK$0.26	(7,070)	HK$0.30	(5,230)
Outstanding at the end of the year	HK$0.22	8,000	HK$0.24	15,070
Exercisable at the end of the year	HK$0.22	8,000	HK$0.24	15,070

The options outstanding at 31 December 2006 had an exercise price of HK$0.45 or HK$0.14 (2005: HK$0.45 or HK$0.14) and a weighted average remaining contractual life of 9 years (2005: 10 years)

c) Fair value of the share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options and assumptions

	17/1/2005	10/10/2005
Fair value at measurement date	HK$0.24	HK$0.11
Share price per share	HK$0.45	HK$0.14
Exercise price per share	HK$0.45	HK$0.14
Expected volatility	75% per annum	75% per annum
Expected life	10 years	10 years
Expected dividend	0% per annum	0% per annum
Risk-free interest rate	2.89% per annum	4.127% per annum

In respect of the share options granted on 17 January 2005, the valuation of the fair value as at the balance sheet date was conducted by a professional valuation company, Watson Wyatt Hong Kong Limited on 4 August 2005. According to its report, the volatility rate of the share price of the Company was determined with reference to the movement of selected comparators' share prices during the period from November 1999 to July 2005. Taking into account the probability of leaving employment and early exercise behavior stated above, the expected life of the grant of options was estimated to be 5.24 years. The risk-free interest rate is taken to be the linearly interpolated yield using Hong Kong Exchange Fund Notes as at 17 January 2005. It is expected that option holders will exercise when the share price is at least 325% of the exercise price.

In respect of the share options granted on 10 October 2005, the valuation of their fair value as at the balance sheet date was conducted by another professional valuation company, B.I. Appraisals Limited, on 22 March 2005. According to its report, historical volatility rate of the share price of the Company was determined with reference to the 90-day historical share prices of the Company proceeding the balance sheet date. Risk-free rate of 4.127% were adopted which were the Hong

Kong Interbank Offered Rates (6-months) as at the end of December 2005. Other terms and conditions of these options including but not limited to the exercise condition, number of share outstanding, strike price and conversion numbers of the options.

The Group recognised the total expenses of approximately HK$3,282,000 for the year ended 31 December 2005 in relation to share options granted by the Company.

29. DEFERRED TAXATION NOT RECOGNISED

The Group has not recognised deferred tax assets in respect of tax losses of approximately HK$15,395,000 (2005: HK$15,596,000) as it is not probable that future taxable profits will be available against which the asset can be utilised. The tax losses can be used to make good of subsequent years' profits and will expire in five years from the year the tax losses were resulted under the current tax legislation.

The Company had no significant potential deferred tax assets and liabilities for the year end at the balance sheet date.

30. CAPITAL AND RESERVES

a) The Group

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Capital surplus	General reserve	Exchange reserve	Share-based compensation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	2,000	30,224	15,090	2,927	—	—	(3,825)	46,416	2,087	48,503
Equity settled share-based transactions	—	—	—	—	—	3,282	—	3,282	—	3,282
Loss for the year	—	—	—	—	—	—	(38,372)	(38,372)	(1,087)	(39,459)
At 31 December 2005	2,000	30,224	15,090	2,927	—	3,282	(42,197)	11,326	1,000	12,326
At 1 January 2006	2,000	30,224	15,090	2,927	—	3,282	(42,197)	11,326	1,000	12,326
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	—	(550)	—	—	(550)	23	(527)
Share options lapsed	—	—	—	—	—	(1,540)	1,540	—	—	—
Loss for the year	—	—	—	—	—	—	(11,248)	(11,248)	282	(10,966)
At 31 December 2006	2,000	30,224	15,090	2,927	(550)	1,742	(51,905)	(472)	1,305	833

Note: The consolidated loss attributable to equity shareholders of the Company includes a loss of approximately HK$20,399,000 (2005: HK$8,402,000) which has been dealt with in the financial statements of the Company.

b) The Company

	Share capital *HK$'000*	Share premium *HK$'000*	Share-based compensation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2005	2,000	30,224	—	(6,074)	26,150
Equity settled share-based transactions	—	—	3,282	—	3,282
Loss for the year	—	—	—	(8,402)	(8,402)
At 31 December 2005	2,000	30,224	3,282	(14,476)	21,030
At 1 January 2006	2,000	30,224	3,282	(14,476)	21,030
Share options lapsed	—	—	(1,540)	1,540	—
Loss for the year	—	—	—	(20,399)	(20,399)
At 31 December 2006	2,000	30,224	1,742	(33,335)	631

c) Share capital

i) Authorised and issued share capital

	2006		2005	
	No. of shares *'000*	*HK$'000*	No. of shares *'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	4,000,000	40,000	4,000,000	40,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	200,000	2,000	200,000	2,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

ii) Terms of unexpired and unexercised share options at balance sheet date

	Exercise price	2006 Number	2005 Number
Exercise period			
17 January 2005 to 16 January 2015	HK$0.45	2,000,000	4,770,000
10 October 2005 to 9 October 2015	HK$0.14	6,000,000	10,300,000
		8,000,000	15,070,000

Each option entitles the hold to subscribe for one ordinary share in the Company. Further details of these options are set out in note 28 to the financial statements.

d) Nature and purpose of reserves

i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall in the ordinary course of business.

ii) Capital surplus

Capital surplus mainly represents the waiver of loans from the then shareholders of Besto Investment Limited, which was contributed as part of the capital to SJTU Sunway Information Technology Co., Ltd.

iii) General reserve

According to its articles of association of the subsidiaries in the PRC, the subsidiaries are required to set up a general reserve and the transfer to this fund are at the discretion of these subsidiaries' directors. This fund can be utilised to acquire property, plant and equipment, to increase current assets and may be converted into paid-in capital. Transfers from this fund are subject to approval by its board of directors of these subsidiaries.

iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt within in accordance with the accounting policies set out in note 3(s).

v) Share-based compensation reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the company recognised in accordance with the accounting policy adopted for share based payments in note 3(o)(ii).

31. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in note 3, management has made the following judgements that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives, after taking into account their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involve management's estimation. The Group re-assesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

Impairment of intangible assets (excluding goodwill)

The Group evaluates whether intangible assets (excluding goodwill) have suffered any impairment whenever events or changes in circumstances indicated that the carrying amount of the assets may not be recoverable, in accordance with the accounting policy stated in note 3(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that its has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2006, the carrying amount of goodwill is approximately HK$nil (2005: HK$9,697,000). Details of impairment testing on goodwill are set out in note 17.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables, investment funds, deposit for acquisition of subsidiaries, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

At 31 December 2006, the Group had net current liabilities of approximately HK$22 million (2005: HK$21 million), overdue bank borrowings of approximately HK$14 million (2005: HK$13 million) and cash and cash equivalents of only approximately HK$164,000 (2005: HK$561,000). Notwithstanding these, the directors consider that with the successful outcome of the Group's banker and prospective investors to secure continual financial support and obtain new working capital, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The validity of which depends upon the future funding being available.

b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has 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 debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

c) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate bank borrowings.

d) Foreign currency risk

As most of the Group's monetary assets and liabilities are denominated in Hong Kong Dollars and Renminbi, and the Group conducted its business transactions principally in Hong Kong Dollars and Renminbi, all of which were relatively stable during the year under review, the Group experiences only immaterial exchange rate fluctuations. The Group considers that as the exchange rate risk of the Group is not significant, the Group did not employ any financial instruments for hedging purposes.

e) Estimation of fair values

The estimation of fair values of share-based compensation is disclosed in note 28.

33. ACQUISITION OF A SUBSIDIARY

On 24 June 2005, the Group acquired 100% of the issued share capital and shareholder's loan of New Champion for a consideration of approximately HK$9,701,000 and HK$5,299,000 respectively. This acquisition of subsidiary has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$9,697,000.

In the opinion of directors, the fair value of the identifiable assets and liabilities of the subsidiary acquired during the year ended 31 December 2005 have no significant differences from their respective carrying amounts. The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount *HK$'000*
Net assets acquired:	
Other receivables	4
Interest in an associate	5,299
Loan from a former shareholder	(5,299)
	4
Goodwill	9,697
	9,701
Consideration is satisfied by:	
Cash	15,000
Less: shareholder's loan	(5,299)
Net consideration	9,701

The outflow of cash and cash equivalents in respect of the purchase of this subsidiary together with the shareholder's loan are HK$15,000,000.

Pursuant to the sales and purchase agreement for the acquisition of New Champion. The consideration shall be adjusted if the audited net profit (prepared in accordance with PRC General Acceptable Accounting Practice) of Beijing AIS, for the period commencing from 1 July 2005 to 30 June 2008 ("Actual Result") be lower than RMB10,000,000. In the event that the original consideration shall be adjusted in accordance with the above mechanism, the vendor shall within 30 business days after the issue of the Actual Result refund the applicable agreed amount to the Group in cash. Further details of the acquisition are set out in the Company's circular dated 15 July 2005.

The goodwill arising on the acquisition of New Champion is attributable to the anticipated profitability of its associate, Beijing AIS, which engaged in development and sales of jukebox and provision of related services that can be broadly applied in the PRC market in the near future.

New Champion did not contribute any revenue nor profit to the Group for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2005, total group revenue and profit for the period would not be changed.

34. OPERATING LEASE COMMITMENTS

At 31 December 2006 the total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within 1 year	—	1,853
After 1 year but within 5 years	—	2,345
	—	4,198

35. RELATED PARTY TRANSACTIONS

a) Key management personnel remuneration

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

	2006	**2005**
	HK$'000	*HK$'000*
Short-term benefits	1,055	2,132
Post-employment benefits	36	76
Share-based payments	—	1,209
	1,091	3,417

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

b) Transactions with related parties

During the year, the Group entered into the material related party transactions:

	2006	**2005**
	HK$'000	*HK$'000*
Rental expenses (note)	45	73

Note: Rental expenses were paid to a shareholder for the lease of office, during the year ended 31 December 2005.

c) Balances with related parties are disclosed in notes 19, 21, 22,23 and 24.

d) On 17 January 2005, the Company granted 2,000,000 share options to one of its substantial shareholders with an exercised price of HK$0.45. The estimated fair value of the options granted to this shareholder on that date is HK$0.2442. The corresponding share-based payments for the options granted amounted to approximately HK$488,000.

36. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform to the current year presentation.

37. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2006

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2006 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosure	1 January 2007

UNAUDITED FIRST QUARTERLY RESULTS

Set out below is the unaudited financial statements of the Group for the three months ended 31 March 2008 as extracted from the first quarterly report of the Group for 2008. For avoidance of doubt, capitalised terms used therein shall have the same meanings, as ascribed to them in the Company's first quarterly report 2008 and reference to page numbers stated therein shall refer to that of the Company's first quarterly report 2008.

Condensed Consolidated Income Statement

		Three months ended 31 March	
		2008	**2007**
		HK$'000	*HK$'000*
	Notes	*(Unaudited)*	*(Unaudited)*
Turnover	2	1,269	300
Cost of sales		(574)	(175)
Gross profit		695	125
Selling and distribution expenses		(102)	—
General and administrative expenses		(2,834)	(448)
Loss from operations		(2,241)	(323)
Finance costs		(468)	(335)
Loss before taxation	3	(2,709)	(658)
Income tax	4	—	—
Loss for the period		(2,709)	(658)
Attributable to:			
Equity shareholders of the Company		(2,709)	(658)
Minority interests		—	—
Loss for the period		(2,709)	(658)
Loss per share	6		
Basic (cents)		(1.35)	(0.33)
Diluted (cents)		N/A	N/A

There were no extraordinary items and exceptional items during each of the two periods ended 31 March 2008 based on the first quarterly reports of the Company for the respective periods.

Notes:

1. BASIS OF PREPARATION

The Group's unaudited condensed first quarterly financial statements have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed first quarterly financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. These new and revised HKFRSs have no significant impact on the results or the financial position of the Group and the Company for current and previous accounting periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. TURNOVER

The principal activities of the Group are provision of custom-made solutions and information localization services and trading of computer equipment. Turnover represents the revenue from provision of custom-made solutions and information localization services and the sales value of goods sold after allowances for goods returned, excludes value added or other sales taxes and is after the deduction of any trade discounts.

The amount of each significant category of revenue recognized in turnover is as follows:

	Three months ended 31 March	
	2008	**2007**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Trading of computer equipment	499	—
Provision of custom-made solutions	770	300
	1,269	300

3. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs:

	Three months ended 31 March	
	2008	**2007**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest expense on financial liabilities not at fair value through profit or loss — Interest on bank borrowings wholly repayable within five years	468	335

(b) Other items

	Three months ended 31 March	
	2008	**2007**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Depreciation of property, plant and equipment	22	—

4. INCOME TAX

No provision for Hong Kong Profits Tax nor PRC Income Tax has been made as the Group did not have estimated assessable profits subject to Hong Kong Profits Tax and the income tax rule and regulations for the PRC during the three months ended 31 March 2008 (2007: Nil).

The Group has no other known tax liability.

No provision for deferred tax has been made as there was no significant timing differences arose for the three months ended 31 March 2008 (2007: Nil).

5. DIVIDENDS

No dividend has been paid or declared by the Company for the period ended 31 March 2008 (2007: Nil).

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the Group's loss attributable to ordinary equity shareholders of approximately HK$2,709,000 (2007: HK$658,000) and the weighted average of 200,000,000 (2007: 200,000,000) ordinary shares in issue for the three months ended 31 March 2008.

(b) Diluted loss per share

There were no potential dilutive ordinary shares in issue during the period ended 31 March 2008 and the corresponding period in 2007 as no diluting events were existed during these two periods.

7. RESERVES

	Share premium *HK$'000*	Capital surplus *HK$'000*	General reserve *HK$'000*	Exchange reserve *HK$'000*	Share-based Compensation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2007	30,224	15,090	2,927	(550)	1,742	(51,905)	(2,472)
Share options lapsed	—	—	—	—	(1,742)	1,742	—
Loss for the period	—	—	—	—	—	(658)	(658)
At 31 March 2007 (Unaudited)	30,224	15,090	2,927	(550)	—	(50,821)	(3,130)
At 1 January 2008	30,224	15,090	2,927	(2,016)	—	(55,539)	(9,314)
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	(899)	—	—	(899)
Loss for the period	—	—	—	—	—	(2,709)	(2,709)
At 31 March 2008 (Unaudited)	30,224	15,090	2,927	(2,915)	—	(58,248)	(12,922)

STATEMENT OF INDEBTEDNESS

Borrowings

As at 30 April 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following outstanding borrowings:

	Non-current portion *HK$'000*	Current portion *HK$'000*	Total *HK$'000*
Short-term bank loans — unsecured	—	15,540	15,540
Other loans payables, unsecured	—	513	513
Amount due to directors	—	1	1
Amount due to a shareholder — S&D Holdings Group Ltd	—	6,555	6,555
	—	22,609	22,609

Save as aforesaid and apart from intra-group liabilities, as at 30 April 2008 the Group had no debt securities issued and outstanding, and authorised or otherwise created but issued, terms loans, distinguishing between guaranteed, unguaranteed, secured and unsecured, and guaranteed, unguaranteed, secured and unsecured bank borrowings including, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or financial lease commitments, guarantees or other material contingent liabilities.

Save as disclosed in this paragraph " Indebtedness", the Directors confirmed that there has not been any material adverse change in the indebtedness and contingent liabilities of the Group since 30 April 2008.

MATERIAL ADVERSE CHANGE

The Directors confirm that, save as the followings, they are not aware of any material change in the financial or trading position or outlook of the Company subsequent to 31 December 2007, being the date to which the last published audited consolidated financial statements of the Company were made up:

— the signing of a second supplemental agreement dated 1 April 2008 (the "**Second Supplemental Placing Agreement**") between the Company and Grand Vinco Capital Limited (the "**Placing Agent**"), pursuant to which the Company and the Placing Agent agreed to postpone the last day for the fulfilment of all the conditions as set out in the placing agreement dated 16 November 2007 (the "**Placing Agreement**"). Further details are set out in the announcement of the Company dated 1 April 2008.

— the signing of a termination agreement dated 9 May 2008 between the Company and the Placing Agent, pursuant to which the Company and the Placing Agent agreed to terminate the Placing Agreement (as supplemented by a supplemental agreement dated 23 November 2007 and the Second Supplemental Placing Agreement). Further details are set out in the announcement of the Company dated 21 May 2008.

RESPONSIBILITY STATEMENT

The information contained in this Composite Offer Document (other than information relating to the Offer, the Offeror and parties acting in concert with it) has been supplied by the Directors who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than information relating to the Offer, the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document, the omission of which would make any such statements (other than information relating to the Offer, the Offeror and parties acting in concert with it) contained in this Composite Offer Document misleading. The issue of this Composite Offer Document has been approved by the Board.

The information contained in this Composite Offer Document relating to the Offer, the Offeror and parties acting in concert with it have been supplied by the directors of the Offeror. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document the omission of which would make any such statements (other than information relating to the Group) contained in this Composite Offer Document misleading.

SHARE CAPITAL

(a) Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

Authorized		*HK$*
4,000,000,000	Shares	40,000,000
Issued and fully paid		
200,000,000	Shares	2,000,000

All existing Shares rank equally in all respects as regards rights to capital, dividends and voting. No Shares have been issued since 31 December 2007, being the end of the last financial year of the Company, up to the Latest Practicable Date.

As at the Latest Practicable Date, there are no options, warrants, convertible securities or other derivatives outstanding in the Company.

DISCLOSURE OF INTERESTS

(a) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being the Director or chief executive of the Company) had, or was deemed or taken to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the Shares

Name	**Capacity & nature of interest**	**Number of Shares** *(Note 1)*	**Approximate % of Shareholding**
Hong Sheng Group Limited	Beneficial owner *(Note 2)*	136,545,828(L)	68.27%
Cheung Yuping	Interest of a controlled corporation *(Note 2)*	136,545,828(L)	68.27%
Cai Dongmei	Interest of a controlled corporation *(Note 2)*	136,545,828(L)	68.27%
Simplex Technology Investment (HongKong) Co. Limited ("Simplex")	Beneficial owner	22,528,484(L) *(Note 3)*	11.26%
Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial Group")	Interest of a controlled corporation *(Note 3)*	22,528,484(L) *(Note 3)*	11.26%
Shanghai Jiao Tong University	Interest of a controlled corporation *(Note 3)*	22,528,484(L) *(Note 3)*	11.26%
Yan Li Li	Beneficial owner	10,600,000(L)	5.30%

Notes:

1. The Letter "L" denotes the entity's interests in the Shares.

2. The interests in the Shares of Cheung Yuping and Cai Dongmei were held through Hong Sheng Group Limited, the entire issued share capital of which was beneficially owned as to 51% by Cheung Yuping and as to 49% by Cai Dongmei.

3. The interests in the Shares are held through Simplex, the entire issued share capital of which was beneficially owned by Jiaoda Industrial Group. The registered capital of Jiaoda Industrial Group was owned as to 96.735% by Shanghai Jiao Tong University and 3.265% by Shanghai Jiaoda Enterprise Management Centre* (上海交大企業管理中心), an entity wholly owned by Shanghai Jiao Tong University.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons/entities (not being a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

(b) Interests and short positions of the Directors and chief executive of the Company in the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(c) Interest in the Offeror

As the Latest Practicable Date, the shareholding of Offeror are beneficially and ultimately owned by Mr. Cheung Yuping as to 51% and by Ms. Cai Dongmei as to 49%. Each of these individual investors is an independent third party and is not connected with any connected persons of the Company and has no prior relationship or transactions with the Group.

The Company does not have any shares, convertible securities, warrants, options or derivatives of the Offeror, and none of the Directors have any shares, convertible securities, warrants, options or derivatives of the Offeror.

* *for identification purpose only*

There has been no dealings in the shares, convertible securities, options, warrants or derivatives of the Offeror by the Company or any of the Director during the six month period prior to the date of the Announcement and up to the Latest Practicable Date.

(d) Other interests in the Company

As at the Latest Practicable Date,

(i) the Offeror was interested in 136,545,828 Shares, representing an approximately 68.27% of the entire issued share capital of the Company. Save as above, none of the Offeror or any one of its beneficial owners, the directors of the Offeror, parties acting in concert with the Offeror, and the Directors were interested in or owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;

(ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;

(iii) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;

(iv) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;

(v) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code;

(vi) no person had any arrangement of the kind referred to Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any person acting in concert with the Offeror;

(vii) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

(viii)no person prior to the posting of this Composite Offer Document had irrevocably committed himself or herself to accept or reject the Offer;

(ix) none of the advisers to the Company as specified in class (2) of the definition of associate under the Takeovers Code (excluding exempt principal traders) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company; and

(x) none of the Directors have any Shares, convertible securities, warrants, options or derivatives of the Company. Therefore, no Director is eligible to accept or reject the Offer..

DEALINGS IN SECURITIES

(a) By the Offeror and parties acting in concert with it

Save for the entering into of the S&P Agreements, there had been no dealings in the Shares, options, warrants, derivatives or securities convertible into the Shares by the Offeror, any directors of the Offeror and parties acting in concert with it during the six month period prior to the date of the Announcement and up to the Latest Practicable Date.

Pursuant to the Takeovers Code, as the Offer is made through Grand Cathay, and Nuada and Grand Cathay are the joint financial advisers to the Offeror, each of Grand Cathay and Nuada is deemed to be acting in concert with the Offeror for the purpose of the Offer. Neither Grand Cathay nor Nuada is a Shareholder nor has dealt for value in the Shares, options, warrants, derivatives or securities convertible into the Shares in the six months period prior to the date of the Announcement and up to the Latest Practicable Date.

(b) By the Directors

Save for the sale of the Sale Shares to the Purchaser by the Vendor, which is beneficially owned by Mrs. Tinna Chan Yee, an executive Director as to 14.16% and her spouse Mr. David Cigar Yee as to 14.17%; and Mrs. Sana Bakhtiar Ahmed, an executive Director as to 14.17% and her spouse Mr. Syed Waliuddin Ahmed as to 14.17%, pursuant to the S&P Agreement, there had been no dealings in the Shares convertible securities, warrants, options, or derivatives of the Company by any of the Directors during the six months period prior to the date of the Announcement and up to the Latest Practicable Date.

(c) Others

(i) No fund manager (other than exempted fund managers) who are connected with the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis during the period beginning on the date of the Announcement and ending on the Latest Practicable Date;

(ii) None of the subsidiaries of the Company, pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (excluding exempt principal traders) had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning on the date of the Announcement and ending on the Latest Practicable Date;

(iii) No person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code had dealt for value in any shares, convertible securities, options, warrants or derivatives of the Company during the period beginning on the Announcement and ending on the Latest Practicable Date; and

(iv) No person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with it had dealt for value in any Shares, convertible securities, options, warrants or derivatives in the Company during the period beginning six months period prior to the date of the Announcement and ending on the Latest Practicable Date.

MARKET PRICES

Trading in the Shares has been suspended since 22 March 2007 pending release of an announcement relating to information of public float of the Company and will remain suspended until further notice. In this regard, no reference is made to the closing price per Share as quoted on the Stock Exchange on the last business day in each of the calendar months, and the highest and lowest prices per Share as quoted on the Stock Exchange, during the period commencing six months proceeding the date of the Announcement and ending on the Latest Practicable Date. The closing price per Share on 21 March 2007 was HK$0.310.

DIRECTORS' SERVICE CONTRACTS AND OTHER INTERESTS

On 20 August 2007, Mr. Henry Dicker Yee entered into a service contract with the Company for the position of the Chief Executive Officer for an initial term of 3 years commencing from 20 August 2007 and expiring on 19 August 2010 with an remuneration of HK$100,000 per month, and this service contract can be terminated by either party by serving not less than three months' notice in writing, or by payment of three months' salary in lieu of such notice.

On 27 March 2007, Mr. Chan Cheong Yee entered into a service contract with the Company for the position of the independent non-executive Director for an initial term of 2 years commencing from 27 March 2007 and expiring on 26 March 2009 with an remuneration of HK$60,000 per annum.

On 27 March 2007, Mr. Ronald Garry Hopp entered into a service contract with the Company for the position of the independent non-executive Director for an initial term of 2 years commencing from 27 March 2007 and expiring on 26 March 2009 with an remuneration of HK$3,500 per annum.

On 27 March 2007, Mr. Yip Tai Him entered into a service contract with the Company for the position of the independent non-executive Director for an initial term of 2 years commencing from 27 March 2007 and expiring on 26 March 2009 with an remuneration of HK$60,000 per annum.

On 10 March 2008, Mr. Tan Shu Jiang entered into a service contract with the Company for the position of the executive Director for an initial term of 1 year commencing from 1 August 2007 and expiring on 31 July 2008 with an remuneration of HK$10,000 per annum. The earlier contract had been entered between Mr. Tan Shu Jiang and the Company for an initial term of 9 months commenced from 1 November 2006 and expired on 31 July 2007 with an remuneration of HK$10,000 per annum.

All of the Directors are subject to retirement by rotation and by re-election at the annual general meeting of the Company in accordance with the Company's articles of association and the GEM Listing Rules.

Save as disclosed above, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

No benefit has been or will be given to any Director (save for any statutory compensation required under appropriate laws) as compensation for loss of office or otherwise in connection with the Offer.

As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any Director had a material personal interest.

LITIGATION

As at the Latest Practicable Date, a PRC litigation which is of material importance was filed against a subsidiary of the Company in the PRC arising from the default in repayment of a bank loan. The judgment was issued by the court in the PRC under which the said subsidiary was ordered to repay the principal amount of the bank loan together with the default interest accrued on the bank loan.

The Company is not engaged in any litigation of material importance as at the Latest Practicable Date.

MATERIAL CONTRACTS

During the period within two years immediately preceding the date of the Announcement up to and including the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group which are or may be material:

(a) an underwriting agreement dated 23 February 2007 (the "**Underwriting Agreement**") entered into between the Company and S&D Holdings Group Limited (the "**Underwriter**"), pursuant to which the Underwriter had conditionally agreed to underwrite all the Right Shares (as defined in the Underwriter Agreement) which have not been taken up. Further details are set out in the announcement of the Company dated 27 February 2007;

(b) a termination letter dated 21 March 2007 entered into between the Company and the Underwriter, pursuant to which the Company and the Underwriter had agreed to terminate the Underwriting Agreement with effect from 23 March 2007. Further details are set out in the announcement of the Company dated 26 March 2007;

(c) a placing agreement dated 16 November 2007 (the "**Placing Agreement**") entered into between the Company and Grand Vinco Capital Limited (the "**Placing Agent**"), pursuant to which the Placing Agent had agreed to act as placing agent for the Company to procure, on a best effort basis, at least six placees to subscribe for not more than 40,000,000 Shares (the "**Placing Shares**") at the placing price of HK$0.311 per placing shares (together with Stock Exchange trading fee, SFC transaction levy and brokerage fee (if any) payable by the subscribers). The placing as contemplated under the Placing Agreement was conditional upon (i) the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all of the Placing Shares and (ii) the resumption of trading in the Shares. Further details are set out in the announcement of the Company dated 4 December 2007;

(d) a supplemental agreement dated 23 November 2007 (the "**Supplemental Placing Agreement**") entered into between the Company and the Placing Agent, pursuant to which the Company and the Placing Agent agree to postpone the last day for the fulfillment of all the conditions as set out in the Placing Agreement, and to vary the scope of the conditions as set out in the Placing Agreement. Further details are set out in the announcement of the Company dated 4 December 2007;

(e) a second supplemental agreement dated 1 April 2008 (the "**Second Supplemental Placing Agreement**") entered into between the Company and the Placing Agent, pursuant to which, the Company and the Placing Agent agree to postpone the last day for the fulfillment of all the conditions as set out in the Placing Agreement. Further details are set out in the announcement of the Company dated 1 April 2008; and

(f) a termination agreement dated 9 May 2008 entered into between the Company and the Placing Agent, pursuant to which, the Company and the Placing Agent agreed to terminate the Placing Agreement (as supplemented by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement). Further details are set out in the announcement of the Company dated 21 May 2008.

Save as disclosed above, the Group had not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of the Announcement up to and including the Latest Practicable Date which are or may be material.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions in this Composite Offer Document:

Name	Qualification
Grand Cathay	a corporation licensed to carry on Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Nuada	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Veda Capital	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Grand Cathay, Nuada and Veda Capital has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion herein of the opinion or letter (as the case may be) and references to its name, in the form and context in which it is included.

GENERAL

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its head office and principal place of business in Hong Kong is Unit 2801, 28/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

(b) The principal members of the Offeror's concert group comprise:

(i) the Offeror, whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and the correspondence address of the Offeror is at Suite 3712, West Tower, Shun Tak Centre, 168–200 Connaught Road, Central, Hong Kong;

(ii) its ultimate beneficial owners, (i.e. the Offeror is ultimately and beneficially owned as to 51% by Mr. Cheung Yuping and as to 49% by Ms. Cai Dongmei), and their correspondence address is at Suite 3712, West Tower, Shun Tak Centre, 168–200 Connanght Road, Central, Hong Kong; and

(iii) the three directors of the Offeror, namely Mr. Cheung Yuping, Ms. Cai Dongmei and Mr. Yu Shu Kuen.

(c) The registered office of Grand Cathay, one of the joint financial advisers to the Offeror in relation to the Offer, is at Room 705–6, 7/F, ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

(d) The registered office of Nuada Limited, one of the joint financial advisers to the Offeror in relation to the Offers, is at 7/F, New York House, 60 Connaught Road Central, Hong Kong.

(e) The correspondence address of Veda Capital is at Suite 1302, 13/F, Takshing House, 20 Des Voeux Road Central, Hong Kong.

(f) The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(g) All time references contained in this Composite Offer Document refer to Hong Kong time.

(h) The English text of this Composite Offer Document and the Forms of Acceptance shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 6:00 p.m. (Saturdays, Sundays and public holidays excepted) (i) at the office of the Company at Room 2801, 28/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong; (ii) on the website of the SFC at http://www.sfc.hk; and (iii) the Company's website at www.sddevelop.com while the Offer remains open.

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of the Offeror;

(c) the annual reports of the Company for the two years ended 31 December 2007 and the quarterly report of the Company for the three months ended 31 March 2008;

(d) the letter from Grand Cathay, the text of which is set out on pages 10 to 16 of this Composite Offer Document;

(e) the letter from the Independent Board Committee, the text of which is set out on page 17 of this Composite Offer Document;

(f) the letter from Veda Capital, the text of which is set out on pages 18 to 32 of this Composite Offer Document;

(g) the letter of consent from each of Grand Cathay, Nuada and Veda Capital referred to in the paragraph headed "Experts and consents" in this Appendix III;

(h) the services contracts referred to under the section headed "Directors' service contracts and other interests" in this Appendix III; and

(i) the material contracts referred to under the section headed "Material Contracts" in this Appendix III.