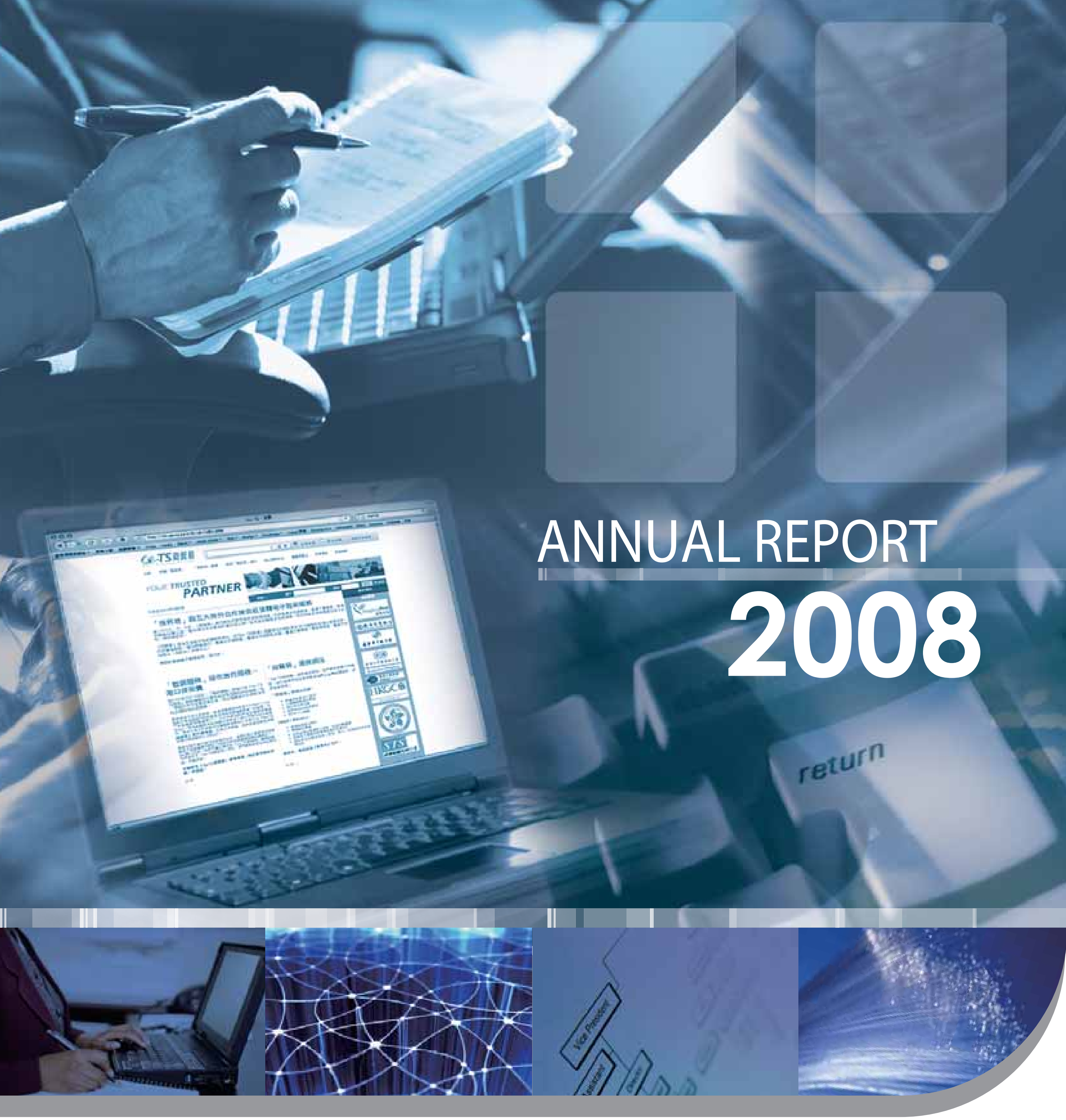

ANNUAL REPORT 2008

computer technologies

Computer And Technologies Holdings Limited

(SEHK:00046)

OUR VISION IS TO DELIVER COMPETITIVE ADVANTAGES FOR ENTERPRISES AND GOVERNMENT ORGANIZATIONS TO PROGRESS BY OPTIMIZING THEIR INFORMATION SYSTEMS EFFICIENCY.

CONTENTS

CORPORATE PROFILE

Computer And Technologies Holdings Limited (and its subsidiaries, collectively referred to as "C&T" or the "Group") is a leading Information Technology ("IT") services provider in the region involved in the design, delivery and operations of total IT solutions that meet customers' business requirements.

The Group has built its business for more than a decade on a vision to deliver competitive advantages for enterprises and government organizations to progress by optimizing their information systems efficiency.

Founded in 1991, the Group's headquarters are based in Hong Kong. Offices as well as support and development centers are established in major commercial regions of China such as Beijing, Shanghai, Nanjing and Shenzhen. Since 1998, C&T has been publicly listed on the main board of the Stock Exchange of Hong Kong (Stock Code: SEHK 00046).

C&T has a long-standing track record in delivering world-class innovative projects and implementing large-scale mission-critical IT solutions. Distinguished examples are the Automated Securities Trading System for the Shanghai Stock Exchange, the world's first Electronic Tendering System, and various Hong Kong SAR Government projects including the Government Electronic Trading Services (GETS), the Customer Care and Billing System (CCBS) for the Water Supplies Department and the Integrated Registration Information System (IRIS) for the Land Registry. Those reputable projects have not only been setting new standards for ingeniously applying IT solutions to traditional business processes and thus creating added values, they have also successfully revealed the Group's world-class competency in building and operating large-scale, multi-year IT projects for large organizations.

The Group, by building on its core systems integration business, has expanded into an all round IT services provider with a synergetic portfolio of subsidiaries offering systems and network integration, IT solutions implementation and application development services, enterprise application software as well as on-line e-Government and e-Business platforms and related business process outsourcing services.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ng Cheung Shing *(Chairman)*
Leung King San, Sunny
Yan King Shun

NON-EXECUTIVE DIRECTORS

Ha Shu Tong
Lee Kwok On, Matthew
Ting Leung Huel, Stephen

COMPANY SECRETARY

Ng Kwok Keung

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Central
Hong Kong

REGISTRATION OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

30th Floor, Prosperity Millennia Plaza
663 King's Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.ctil.com

CHAIRMAN'S STATEMENT

Dear Shareholders

I am glad to report that the Group's consolidated revenue for the reporting period increased by 11.5% from HK$358.7 million in 2007 to HK$400.0 million (continuing operations: HK$376.4 million; discontinued operation: HK$23.6 million) in 2008, and the consolidated net profit after tax attributable to the shareholders increased by 17.5% to HK$33.1 million (2007: HK$28.1 million). The earnings per share for the year amounted to 12.91 Hong Kong cents (2007: 10.63 Hong Kong cents), representing an increase of 21.4%. The improved results were mainly attributed to the continuous growths in the integration and solutions services business and the improvements in profit generation from the various recurring revenue streams.

As of the reporting day, the balance of the Group's order book not yet recognized as revenue in the reporting period is around HK$339 million (2007: HK$323 million) of which 50% are service-oriented contracts.

The Group generated HK$66.7 million cash inflow from its operations in 2008 and its financial position is continuously strong. The Board recommended to distribute a final dividend of 6 Hong Kong cents per share (2007: 6 Hong Kong cents). In view of the strong financial position, the Board also recommended a special dividend of 2 Hong Kong cents per share (2007: nil) as to celebrate the Group's 10th anniversary of listing in the Hong Kong Stock Exchange.

PROSPECT

The general demand of the IT services has been adversely impacted by the deteriorating global economy and the businesses of the Group are continuously subject to keen competition. Nevertheless, the Group managed to maintain strong order backlogs and has been benefiting from recurrent businesses generated from its solid customer base in the government sector and in China which are relatively less vulnerable to the global financial turmoil.

The Group is pleased to renew the license with the HKSAR Government for operating the Government Electronic Trading Services (GETS) for additional 7 years until the end of 2016. Besides, the Group is excited to enter into business collaboration with the 5 Government Approved Certification Organizations (GACOs) to jointly promote the GETS related businesses.

Resulting that, the Group's market share in GETS had immediately increased and also its positions in capturing more businesses from the trading community were strengthened. In addition, the Group is also actively exploring the introduction of new value added services in order to mitigate the impact caused by the decreased import and export volumes.

The Group has been involving in various business opportunities in provision of business process outsourcing (BPO) and IT outsourcing (ITO) services. Those opportunities, if being materialized, will further enhance the Group's related recurring revenue in the coming years.

CHAIRMAN'S STATEMENT

To enhance the foundation for future growth, the Group will continue to strengthen its management system and to take measures to tune up and advance its project implementation systems and human resources development strategy to the optimal efficiency. On the other hand, the Group will not lessen its efforts in maintaining the prudent principles in financial management and the effectiveness in the internal controls for risks minimization.

Leveraging on the economic downturn and the Group's sound financial position, the Management considers that the chance and opportunity for the Group to further increase its market share and business scale through merger and acquisition will be increased.

APPRECIATION

On behalf of the Board and the Management, I would like to express our deep appreciations to all staffs, shareholders and business partners for their supports to the Group during the reporting period.

Ng Cheung Shing
Chairman

Hong Kong, 31 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the reporting period, the overall revenue increased by 11.5% from HK$358.7 million in 2007 to HK$400.0 million (continuing operations: HK$376.4 million; discontinued operation: HK$23.6 million) in 2008. The revenue from the Integration and Solutions Services and Application Services segments (collectively as the “Core Business”) increased by 15.2% and 11.4% respectively. On the other hand, with reference to the announcement and the circular made in November 2008, the Group divested from the Distribution Business segment. Consequently, the related revenue recorded a decrease of 21.9%.

The Group’s net profit attributable to shareholders was HK$33.1 million, representing an increase of 17.5%. The overall gross profit margin maintained at a healthy level of 30% (2007: 30.2%), and the gross profit increased by 10.8% from HK$108.5 million in 2007 to HK$120.2 million (continuing operations: HK$114.5 million, discontinued operation: HK$5.7 million) in 2008.

The Group generated HK$66.7 million of cashflow from operations (2007: HK$38.2 million). The consistence in generation of positive cashflow in the past years revealed the healthiness of the service-oriented business model that the Group had adopted. In addition, the solid financial position enriched the foundations and flexibilities of the Group to utilize the funding to reward its shareholders and to acquire new businesses.

Despite the challenging business environment in the second half of the year, the Integration and Solutions Services segment achieved a growth in revenue by 15.2% compared with the same period of last year. The growth mainly resulted from the strong demands from the Group’s existing customer in the financial service section in China for additional infrastructure system upgrades.

During the reporting period, the Group’s stable revenue streams generating from outsourcing service and application development service of its existing government contracts and the newly signed contracts from both commercial and public sectors remain strong.

The Group’s e-Services businesses, namely Government Electronic Trading Services (GETS) and Electronic Tendering System (ETS), had steadily contributed transaction and subscription-based incomes to the Group. Benefiting from the progressively built business scale and operation efficiency, the profit contributions from the e-Services business had solidly grown from previous year.

With the attentions to promptly realign and strengthen the resources for service delivery and new product developments, the Group’s HRM Solutions business performance had been gradually recovering from previous year. As at the reporting date, the previously reported litigation against a former senior employee for breaching his contractual commitments and fiduciary duties is still in process.

In recent years, while the Group has been focusing in development of it’s Core Business, the Distribution Business operating under Maxfair Technology Limited and Maxfair Technology (Taiwan) Co. Ltd. had become increasingly diverge from the Group’s core competence. While the related divestment in late 2008 had resulted into a non-recurrent loss from the discontinued operation and loss on disposal of subsidiaries of HK$2.1 million and HK$0.6 million, respectively, to the Group, it would allow the Group to concentrate more of its resources to further develop the Core Business and towards the market in China.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

At 31 December 2008, the Group had pledged certain of its investment properties with a carrying value of HK$16.3 million (2007: HK$17.5 million) and bank balances of HK$14.3 million (2007: HK$16.7 million) to secure certain general bank facilities, guarantee/performance bonds facilities granted to the Group in aggregate of HK$30.2 million (2007: HK$30.5 million) of which HK$4.1 million (2007: HK$4.6 million) had been utilised as of the balance sheet date.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2008, the Group's bank balances and cash (excluded pledged bank deposit of HK$14.3 million) was HK$228.7 million (2007: HK$190.3 million) with no bank borrowings.

All of the Group's on hand funding is in Hong Kong, Renminbi, and US currencies. The Group has not adopted any hedging policies, as these currencies carry low exchange fluctuation risks.

REMUNERATION POLICY AND NUMBER OF EMPLOYEES

The remuneration policies adopted for the year ended 31 December 2008 are consistent with those disclosed in the Group's 2007 Annual Report. As at 31 December 2008, the Group employed approximately 358 full time employees and 4 contract-based employees (31 December 2007: 346 full time and 1 contract-based employees).

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ir. Ng Cheung Shing, aged 47, the founder, Chairman and Chief Executive Officer, is responsible for the business development, corporate strategies, company policies and overall management of the Group. Ir. Ng graduated with BSC(Hons) in Computer Science from the University of Manchester in the United Kingdom in 1984, and has over 20 years of experience in IT industry. Before establishing the Company, Ir. Ng held executive positions in companies such as Hewlett-Packard Asia Pacific Ltd. and Sun Hung Kai (China) Ltd. Ir. Ng is a fellow member of Hong Kong Computer Society and Hong Kong Institution of Engineers. He is a Founding Chairman of the Hong Kong Information and Software Industry Association, and Member of the Advisory Committee for the Department of Computing from the Hong Kong Polytechnic University and the Department of Electronic Engineering of the City University of Hong Kong. Ir. Ng was also the awardees of "Young Industrialist Awards of Hongkong" and the "Ten Outstanding Young Persons Award of Hong Kong".

Mr. Leung King San, Sunny, aged 47, who joined the Group in 1997, is responsible for policy making, finance and administration strategies of the Group. He is also a director of certain subsidiaries of the Group. Mr. Leung has over 20 years of experience in finance, administration and planning in the IT industry. Before joining the Group, Mr. Leung held senior management positions in IBM and its associated company in Asia Pacific. Mr. Leung graduated from the Simon Fraser University in Canada with a bachelor's degree in business administration in 1983.

Mr. Yan King Shun, aged 47, is in charge of the Group's Services Division. Mr. Yan has over 23 years of experience in the IT industry, and is a fellow member of the Hong Kong Computer Society. Before joining the Group in 2000, Mr. Yan was the Chief Operating Officer of Tradelink Electronic Commerce Ltd. He also held senior management positions in large IT and electronic services companies including Accenture. Mr. Yan graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration in 1985 and received executive education for global leadership from the Harvard Business School in 1998.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ha Shu Tong, aged 60, joined the Board in 1998. Mr. Ha has involved in the financial industry for over 30 years and has substantial experience in corporate finance and corporate development.

Professor Matthew K. O. Lee, Ph.D., aged 49, joined the Board in 1998. Professor Lee is the Associate Dean (Research and Postgraduate) of the Faculty of Business and Chair Professor of Information Systems and E-Commerce at the City University of Hong Kong (the "University"). Professor Lee is also the Founding Director of the DBA Programme at the University. He holds a number of university degrees including BEng (1st Class Honours) in electronic engineering, MSc in software engineering, Ph.D. in computer science, MBA , LLB , and LLM in Corporate and Commercial Law. He is a graduate of the Internet Law Summer Program at Harvard Law School. Professor Lee has substantial experience and published widely in law and IT matters and is a professional member of British Computer Society. He is qualified as a Chartered Engineer (UK Engineering Council) and a Barrister-at-Law both in Hong Kong SAR and England & Wales. Professor Lee was a Founding Vice-chairman of the Hong Kong Computer Society e-Business Special Interest Group. Professor Lee is an Assessor of the Innovative and Technology Commission for IT and electronics projects. He has been appointed by the Chief Executive of the HKSAR Government to serve as an Appeal Board member under the Unsolicited Electronic Messages Ordinance. He is a member of the Advisory Committee on Human Resources Development in the Financial Services Sector.

Mr. Ting Leung Huel, Stephen, MH , FCCA , FCPA (Practising), ACA , FTIH K, FH KIoD, aged 56, joined the Board in 2004. Mr. Ting is an accountant in public practice as managing partner of Messrs. Ting Ho Kwan & Chan, Certified Public Accountants since 1987. Mr. Ting is a member of the 9th & 10th Chinese People Political & Consultative Conference, Fujian. He is now a non-executive director of Chow Sang Sang Holdings International Limited (Stock Code: 116) and holds independent non-executive directorship in six other listed companies namely, Dongyue Group Limited (Stock Code: 189), JLF Investment Company Limited (Stock Code: 472), Minmetals Resources Limited (Stock Code: 1208), Texhong Textile Group Limited (Stock Code: 2678), Tong Ren Tang Technologies Company Limited (Stock Code: 8069) and Tongda Group Holdings Limited (Stock Code: 698).

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Cheung Wai Lam, aged 45, is the head of Development Services business of the Group . Mr. Cheung has over 22 years of experience in IT and consulting business ranging from software development to enterprise solutions implementation and is one of the founders of Y&A Professional Services Ltd (the "Y&A"). Mr. Cheung joined the Group in 2006 when Y&A became a subsidiary of the Group. Before Y&A, he held various consulting positions in IBM in Hong Kong and Australia. Mr. Cheung graduated from the Chinese University of Hong Kong with a bachelor's degree in computer science in 1985.

Mr. Ng Kwok Keung, aged 35, is the Financial Controller of the Group and the Secretary of the Company. He has over 10 years of experience in accounting, auditing, finance, and business advisory. Before joining the Group, he was a financial controller of a Hong Kong listed company and has worked as a manager of assurance and advisory business services department of an international accounting firm. Mr. Ng graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Honours) Degree in Accountancy and is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. Wang Zhi Hui, aged 45, is the Senior Director of C&T Integration Limited. Mr. Wang joined the Group in 1996. He has over 19 years of experience in the IT industry with extensive sales management exposure in working for multinational companies such as HP China and WANG Computer. Mr. Wang graduated from the East China University of Science and Technology with a bachelor degree in electronic engineering in 1986.

Mr. Wong Wai Man, aged 43, Managing Consultant of IPL Research Limited ("IPL"), is in charge of the Group's human resource management solutions (HRMS) business. Mr. Wong has almost 20 years of experience in IT service industry and human resource management practices. Before joining IPL in 1993, he had extensive practices as HRM practitioner in multinational enterprises. Mr. Wong joined the Group in 2001 when IPL became a subsidiary of the Group.

Mr. Yeung Sai Cheong, aged 43, is the Vice President of Corporate Development and Communications of the Group and is responsible for investor relationship, business development and other corporate communications functions. Mr. Yeung joined the Group in 1998 and has about 20 years of IT experience in sales and business development. He graduated from the University of Hong Kong with a bachelor's degree in computer studies in 1988 and received a master's degree in business administration from the Hong Kong University of Science and Technology in 1999.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of integrity, transparency and accountability. The board of directors of the Company (the "Board") believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

The Board opined that the Company has complied with the code provision set out in the Code of Corporate Governance Practice (the "CG code") as stipulated in Appendix 14 of the Rules Governing the Listing of Securities On The Stock Exchange of Hong Kong Limited ("Listing Rules") during the reporting year except on the deviations noted below.

The CG code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Ng Cheung Shing currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive officer in the same individual provides the Group with strong and consistent leadership and allows for more effective and efficient planning and execution of long-term business strategies.

The CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation in accordance with the provisions of the bye-laws of the Company. The Company therefore considers that sufficient measures have been taken to ensure that its corporate governance practices are similar to those provided in the CG Code.

THE BOARD COMPOSITION

The Board comprises three executive directors and three independent non-executive directors:

Executive Directors:
Ng Cheung Shing *(Chairman and Chief Executive Officer)*
Leung King San, Sunny
Yan King Shun *(appointed on 28 July 2008)*
Ma Mok Hoi *(resigned on 28 July 2008)*

Independent non-executive directors:
Ha Shu Tong
Lee Kwok On, Matthew
Ting Leung Huel, Stephen

One-third of the directors shall retire from office at every annual general meeting and all directors (including non-executive directors) are subject to retirement by rotation once every three year in accordance with the Company's bye-laws and the CG Code.

The directors' biographical information is set out in the "Biographies of Directors and Senior Management" section on pages 8 to 10.

CORPORATE GOVERNANCE REPORT

PRINCIPAL FUNCTIONS

The Board has the ultimate decision on the Group's overall strategy, annual budget, annual and interim results, appointment or retirement of directors, significant contracts and transactions as well as other significant policy and financial matters. The Board has delegated the daily operations and administration to the Company's management.

Every director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. In addition, every director has separate and independent access to the Company's senior management to facilitate them to make informed decisions. All directors, in the discharge of their duties, are allowed to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

In order to achieve a high standard of corporate governance, the Board held at least four regularly meetings at approximately quarterly interval to discuss the overall strategy as well as the operational matters and financial performance of the Group. Attendance of each director at the Board meetings during the year is set out below:

	Number of Board meetings Attended/Eligible to attend
Executive directors:	
Ng Cheung Shing	5/5
Leung King San, Sunny	4/5
Yan King Shun *(appointed on 28 July 2008)*	2/2
Ma Mok Hoi *(resigned on 28 July 2008)*	3/3
Independent non-executive directors:	
Ha Shu Tong	5/5
Lee Kwok On, Matthew	4/5
Ting Leung Huel, Stephen	5/5

BOARD COMMITTEES

To strengthen the functions of the Board, there are two Board Committees namely, the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee was established on 22 September 2004 and comprises of three independent non-executive directors, namely, Ha Shu Tong, Lee Kwok On, Matthew, and Ting Leung Huel, Stephen and two executive directors namely, Ng Cheung Shing and Leung King San, Sunny and Mr. Ha was elected as the Chairman of Remuneration Committee.

The primary functions of the Remuneration Committee include:

- to review and recommend to the Board, in consultation the chairman and chief executive officer, the remuneration policy and packages of the directors and senior management;
- to review and recommend the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and recommend the compensation payable to executive directors and senior management in connection with any loss of termination of their office or appointment;
- to review and recommend compensation arrangements relating to dismissal or removal of directors for misconduct; and
- to ensure that no director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee shall meet at least once every year. Two meetings were convened during the year and all the committee members had attended.

AUDIT COMMITTEE

The Audit Committee was established on 24 April 1999 and during the reporting period, the three independent non-executive directors, namely, Ha Shu Tong, Lee Kwok On, Matthew, and Ting Leung Huel, Stephen are the members of the committee and Mr. Ting was elected as the Chairman of Audit Committee.

The principal duties and roles of the Audit Committee include:

- to consider and recommend to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation of dismissal of that auditors;
- to review and monitor the external auditors' independence and objectivity;
- to develop and implement policy on the engagement of external auditors to supply non-audit services;
- to review the financial information of the Group, which includes annual report and interim report;
- to review the Group's financial controls, internal controls and risk management systems; and
- to review the external auditors' management letters and management's response.

AUDIT COMMITTEE (CONTINUED)

The Audit Committee meets two times during the year. Attendance of each director at the Audit Committee meetings is set out below:

	Number of Board meetings Attended/Eligible to attend
Ha Shu Tong	2/2
Lee Kwok On, Matthew	1/2
Ting Leung Huel, Stephen	2/2

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's independent auditors, Ernst & Young, amounted HK$1,270,000 in respect of audit services. There have been no non-audit services rendered by the Company's independent auditors during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Based on a specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the year.

To comply with the CG Code A.5.4, the Company has also adopted the Model Code as its code of conduct for dealings in securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

COMMUNICATION WITH SHAREHOLDERS

Information of the Company and the Group are delivered to its shareholders through a number of channels, which includes annual report, interim report, announcements and circulars. The latest information of the Company and the Group together with the published documents are also available on the Company's website.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

During the year, the Board has reviewed the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group. No material internal control aspects of any significant problems were noted. The Board was satisfied that the internal control system of the Group has been functioned effectively during the review year.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards (which include all Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

The reporting responsibilities of the Company's independent auditors are set out in the Independent Auditors' Report on pages 25 and 26.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 18 to the financial statements. Following the cessation of the Group's distribution business during the year as detailed in note 11 to the financial statements, the Group's distribution segment became a discontinued operation. Save as disclosed above, there were no significant changes of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 100.

The directors recommend the payment of a final dividend of HK$0.06 per ordinary share and a special dividend of HK$0.02 per ordinary share in respect of the year to shareholders on the register of members on 25 May 2009. This recommendation has been incorporated in the financial statements as an allocation of contributed surplus within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out on page 102. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 101.

SHARE CAPITAL, SHARE OPTIONS AND AWARDED RESTRICTED SHARES

Details of movements in the share capital, share options and awarded restricted shares of the Company during the year are set out in notes 30, 31 and 32 to the financial statements, respectively.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company. The share repurchase has enhanced the net asset value per share and the earnings per share, which the directors believe is in the best interests of the Company and the shareholders. Further details of these transactions are set out in note 30 to the financial statements.

During the year, the trustee of the Company's restricted share award scheme had, pursuant to the terms of the rules and trust deed of such scheme, purchased from the market a total of 5,000,000 shares of the Company being the awarded restricted shares. The total amount paid to acquire these 5,000,000 shares during the year was approximately HK$4,271,000.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company's reserves available for distribution, calculated in accordance with the provisions of the Bermuda Companies Act 1981, amounted to HK$22,966,000, of which HK$19,909,000 has been proposed as final and special dividends for the year. In addition, the Company's share premium account, in the amount of HK$237,452,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 40.9% of the total sales for the year and sales to the largest customer included therein amounted to 19.5%. Purchases from the Group's five largest suppliers accounted for 63.0% of the total purchases for the year and purchases from the largest supplier included therein amounted to 37.5%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Ng Cheung Shing *(Chairman and Chief Executive Officer)*
Leung King San, Sunny
Yan King Shun *(appointed on 28 July 2008)*
Ma Mok Hoi *(resigned on 28 July 2008)*

Independent non-executive directors:
Ha Shu Tong
Lee Kwok On, Matthew
Ting Leung Huel, Stephen

In accordance with bye-law 86(2) and 87 of the Company's bye-laws, Ng Cheung Shing, Ha Shu Tong and Yan King Shun will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation pursuant to the Company's bye-laws.

The Company has received annual confirmations of independence from Ha Shu Tong, Lee Kwok On, Matthew, and Ting Leung Huel, Stephen, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group. In addition, the directors' remuneration is reviewed by the Remuneration Committee annually.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, the interests of the directors in the share capital and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			
Name of director	Note	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Ng Cheung Shing	(a)	2,032,000	110,000,000	112,032,000	44.13
Leung King San, Sunny		810,000	–	810,000	0.32
Yan King Shun		112,000	–	112,000	0.04
		2,954,000	110,000,000	112,954,000	44.49

Long positions in shares of an associated corporation:

				Number of shares		
Name of director	**Name of associated corporation**	**Relationship with the Company**	**Class of shares**	**Directly beneficially owned**	**Through controlled corporation**	**Percentage of the associated corporation's issued share capital**
Ng Cheung Shing	Computer And Technologies International Limited	Company's subsidiary	Non-voting deferred	1,750,000	3,250,000 (note (b))	N/A

Notes:

(a) The 110,000,000 shares were held by Chao Lien Technologies Limited ("Chao Lien"), a wholly-owned subsidiary of C.S. (BVI) Limited. Mr. Ng Cheung Shing was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of C.S. (BVI) Limited, which in turn was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Chao Lien. Accordingly, Mr. Ng Cheung Shing was deemed, under the SFO, to be interested in all shares held by Chao Lien.

(b) The 3,250,000 non-voting deferred shares were held by Chao Lien.

Save as disclosed above, as at 31 December 2008, none of the directors had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections "Share option schemes" and "Restricted share award scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The Company operates two share option schemes (the "Schemes") for the primary purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Schemes are disclosed in note 31 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

Name or category of participant	Number of share options: At 1 January 2008	Number of share options: Exercised during the year#	Number of share options: At 31 December 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares***: At exercise date of options HK$ per share	Price of the Company's shares***: Immediately before the exercise date HK$ per share	Price of the Company's shares***: At grant date of options* HK$ per share
Directors									
Ng Cheung Shing	300,000	–	300,000	31.08.2004	01.03.2005 to 31.08.2009	1.128	N/A	N/A	1.09
Leung King San, Sunny	200,000	–	200,000	31.08.2004	01.03.2005 to 31.08.2009	1.128	N/A	N/A	1.09
Ma Mok Hoi	150,000	(150,000)	–	31.08.2004	01.03.2005 to 31.08.2009	1.128	N/A	N/A	1.09
Yan King Shun	–	76,000	76,000	31.08.2004	01.03.2005 to 31.08.2009	1.128	N/A	N/A	1.09
Ha Shu Tong	100,000	–	100,000	31.08.2004	01.03.2005 to 31.08.2009	1.128	N/A	N/A	1.09
Lee Kwok On, Matthew	100,000	–	100,000	31.08.2004	01.03.2005 to 31.08.2009	1.128	N/A	N/A	1.09
Ting Leung Huel, Stephen	100,000	–	100,000	31.08.2004	01.03.2005 to 31.08.2009	1.128	N/A	N/A	1.09
	950,000	(74,000)	876,000						
Other employees									
In aggregate	1,368,000	74,000	1,442,000	31.08.2004	01.03.2005 to 31.08.2009	1.128	N/A	N/A	1.09
Total	2,318,000	–	2,318,000						

Notes to the reconciliation of share options outstanding during the year:

On 28 July 2008, Mr. Ma Mok Hoi resigned as a director of the Company and Mr. Yan King Shun was appointed as a director of the Company. During the year, Mr. Yan King Shun was an employee of the Group and Mr. Ma Mok Hoi was a director of certain subsidiaries of the Group.

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

REPORT OF THE DIRECTORS

RESTRICTED SHARE AWARD SCHEME

The Company adopted a restricted share award scheme (the "Award Scheme") on 22 May 2008 (the "Adoption Date"). Pursuant to the terms of the Award Scheme, shares of the Company (the "Awarded Shares") are granted to eligible employees (including directors) of the Group until the 10th anniversary from the Adoption Date. The Company shall also pay cash to the appointed trustee company for its acquisition and holding upon trust of the Awarded Shares for the benefit of these employees and directors. The Award Shares will then be transferred to these employees and directors upon vesting. The aggregate number of shares to be awarded under the Award Scheme throughout its duration shall not exceed 10% of the issued share capital of the Company from time to time.

Details of the Award Scheme and the shares awarded thereunder are set out in note 32 to the financial statements.

The following table illustrates the number of and movements of the Awarded Shares under the Award Scheme for the year ended 31 December 2008.

	Number of Awarded Shares			
Name or category of participant	**At 1 January 2008**	**Awarded during the year**	**At 31 December 2008**	**Award date**
Directors				
Ng Cheung Shing	–	1,000,000	1,000,000	23 July 2008
Yan King Shun	–	1,000,000	1,000,000	23 July 2008
	–	2,000,000	2,000,000	
Other employees				
In aggregate	–	3,000,000	3,000,000	23 July 2008
	–	5,000,000	5,000,000	

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of shareholder of the Company	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
Chao Lien Technologies Limited	(a)	Directly beneficially owned	110,000,000	43.33	–
C.S. (BVI) Limited	(a)	Through a controlled corporation	110,000,000	43.33	–
Puttney Investments Limited ("PIL")	(b)	Directly beneficially owned	29,148,938	11.48	–
Hutchison International Limited ("HIL")	(b)	Through a controlled corporation	29,148,938	11.48	–
Hutchison Whampoa Limited ("HWL")	(b)	Through a controlled corporation	29,148,938	11.48	–
Cheung Kong (Holdings) Limited ("CKH")	(b), (c)	Through a controlled corporation	29,148,938	11.48	–
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	(b), (c)	Through a controlled corporation	29,148,938	11.48	–
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	(b), (c)	Through a controlled corporation	29,148,938	11.48	–

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long positions: (Continued)

Name of shareholder of the Company	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	(b), (c)	Through a controlled corporation	29,148,938	11.48	–
Li Ka-Shing	(b), (c)	Through a controlled corporation	29,148,938	11.48	–
Hui Yau Man		Directly beneficially owned	26,782,000	10.55	–

Notes:

(a) The interest was also disclosed as an interest of Mr. Ng Cheung Shing in the section "Directors' interests and short positions in shares and underlying shares" of this report.

(b) PIL is a wholly-owned subsidiary of HIL, which in turn is a wholly-owned subsidiary of HWL. By virtue of the SFO, HWL and HIL were deemed to be interested in the 29,148,938 shares of the Company held by PIL.

(c) Li Ka-Shing Unity Holdings Limited ("TUHL"), of which each of Li Ka-Shing, Li Tzar Kuoi, Victor, and Li Tzar Kai, Richard, is interested in one-third of the entire issued share capital, owns the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, TUHL also owns the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Li Ka-Shing, being the settlor and may being regarded as a founder of DT1 and DT2 for the purpose of the SFO, TDT1, TDT2, TUT1 and CKH were deemed to be interested in the 29,148,938 shares of the Company held by PIL.

Save as disclosed above, as at 31 December 2008, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION

In November 2008, the Company announced the decision of its board of directors to dispose of its entire 75% equity interest in Maxfair Technology Holdings Limited ("Maxfair") to a director of a 70% owned subsidiary of Maxfair, further details of which are set out in a circular of the Company dated 1 December 2008 and note 11 to the financial statements. Maxfair, together with its subsidiary (collectively the "Maxfair Group"), mainly engages in the distribution and retail of digital media products and other computer accessories in Taiwan. The disposal of the Maxfair Group was completed in November 2008.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company and the Group are set out in note 36 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ng Cheung Shing
Chairman

Hong Kong, 31 March 2009

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

TO THE SHAREHOLDERS OF COMPUTER AND TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Computer And Technologies Holdings Limited set out on pages 27 to 100, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

31 March 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	376,386	328,472
Cost of sales		(261,894)	(228,474)
Gross profit		114,492	99,998
Other income and gains	5	14,689	12,383
Selling and distribution costs		(34,069)	(35,414)
General and administrative expenses		(45,382)	(43,872)
Other expenses, net		(9,901)	(3,496)
PROFIT BEFORE TAX	6	39,829	29,599
Tax	9	(5,172)	(814)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		34,657	28,785
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	11	(2,118)	(814)
PROFIT FOR THE YEAR		32,539	27,971
Attributable to:			
Equity holders of the parent	10	33,067	28,142
Minority interests		(528)	(171)
		32,539	27,971
DIVIDENDS	12		
Proposed final		14,932	15,804
Proposed special		4,977	–
		19,909	15,804
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	HK cents	HK cents
Basic			
– For profit for the year		12.91	10.63
– For profit from continuing operations		13.53	10.87
Diluted			
– For profit for the year		12.87	N/A
– For profit from continuing operations		13.49	N/A

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	11,723	9,902
Investment properties	15	24,901	29,047
Goodwill	16	25,813	25,813
Other intangible assets	17	–	–
Held-to-maturity securities	19	498	498
Available-for-sale investments	20	1,911	2,587
Deferred tax assets	29	2,851	5,632
Total non-current assets		67,697	73,479
CURRENT ASSETS			
Held-to-maturity securities	19	–	767
Inventories	21	11,326	11,709
Trade receivables	22	74,770	82,887
Prepayments, deposits and other receivables	23	7,216	7,984
Due from contract customers	24	13,437	24,397
Equity investments at fair value through profit or loss	25	9,947	5,710
Tax recoverable		94	218
Pledged bank deposits	26	14,328	16,677
Cash and cash equivalents	26	228,690	190,348
Total current assets		359,808	340,697
CURRENT LIABILITIES			
Trade payables, other payables and accruals	27	70,952	65,427
Due to contract customers	24	1,640	1,377
Deferred income		10,070	10,009
Due to a minority shareholder of a subsidiary	28	1,355	2,150
Tax payable		6,887	5,145
Total current liabilities		90,904	84,108
NET CURRENT ASSETS		268,904	256,589
TOTAL ASSETS LESS CURRENT LIABILITIES		336,601	330,068

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		336,601	330,068
NON-CURRENT LIABILITIES			
Deferred tax liabilities	29	875	773
Net assets		335,726	329,295
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	30	25,386	26,340
Reserves	33(a)	291,184	286,272
Proposed dividends	12	19,909	15,804
		336,479	328,416
Minority interests		(753)	879
Total equity		335,726	329,295

Ng Cheung Shing
Director

Leung King San, Sunny
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Notes	Attributable to equity holders of the parent												Minority interests HK$'000	Total equity HK$'000
		Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 33(a))	Share-based payment reserve HK$'000	Goodwill reserve HK$'000 (note 33(a))	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Reserve funds HK$'000 (note 33(a))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000		
At 1 January 2007		26,561	237,310	30,889	1,144	(7,227)	–	301	423	(1,923)	13,129	7,950	308,557	1,057	309,614
Exchange realignment		–	–	–	–	–	–	–	–	747	–	–	747	(7)	740
Changes in fair value of available-for-sale investments		–	–	–	–	–	–	766	–	–	–	–	766	–	766
Revaluation of property, plant and equipment	14	–	–	–	–	–	311	–	–	–	–	–	311	–	311
Deferred tax liabilities on revaluation of property, plant and equipment	29	–	–	–	–	–	(103)	–	–	–	–	–	(103)	–	(103)
Total income and expense recognised directly in equity		–	–	–	–	–	208	766	–	747	–	–	1,721	(7)	1,714
Profit for the year		–	–	–	–	–	–	–	–	–	28,142	–	28,142	(171)	27,971
Total income and expense for the year		–	–	–	–	–	208	766	–	747	28,142	–	29,863	(178)	29,685
Issue of shares	30	14	142	–	–	–	–	–	–	–	–	–	156	–	156
Repurchase of shares	30	(235)	–	(1,975)	–	–	–	–	–	–	–	–	(2,210)	–	(2,210)
Transfer to reserve funds		–	–	–	–	–	–	–	274	–	(274)	–	–	–	–
Final 2006 dividend declared		–	–	–	–	–	–	–	–	–	–	(7,950)	(7,950)	–	(7,950)
Proposed final 2007 dividend	12	–	–	–	–	–	–	–	–	–	(15,804)	15,804	–	–	–
At 31 December 2007		26,340	237,452*	28,914*	1,144*	(7,227)*	208*	1,067*	697*	(1,176)*	25,193*	15,804	328,416	879	329,295

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2008

	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 33(a))	Shares held under the restricted share award scheme HK$'000	Share-based payment reserve HK$'000	Goodwill reserve HK$'000 (note 33(a))	Asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Reserve funds HK$'000 (note 33(a))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final and special dividends HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
		Attributable to equity holders of the parent														
At 1 January 2008		26,340	237,452	28,914	–	1,144	(7,227)	208	1,067	697	(1,176)	25,193	15,804	328,416	879	329,295
Exchange realignment		–	–	–	–	–	–	–	–	–	2,267	–	–	2,267	(20)	2,247
Changes in fair value of available-for-sale investments		–	–	–	–	–	–	–	(727)	–	–	–	–	(727)	–	(727)
Deferred tax arising from a change in statutory tax rate	29	–	–	–	–	–	–	25	–	–	–	–	–	25	–	25
Total income and expense recognised directly in equity		–	–	–	–	–	–	25	(727)	–	2,267	–	–	1,565	(20)	1,545
Profit for the year		–	–	–	–	–	–	–	–	–	–	33,067	–	33,067	(528)	32,539
Total income and expense for the year		–	–	–	–	–	–	25	(727)	–	2,267	33,067	–	34,632	(548)	34,084
Repurchase of shares	30	(954)	–	(6,383)	–	–	–	–	–	–	–	–	–	(7,337)	–	(7,337)
Purchase of shares held under the restricted share award scheme	32	–	–	–	(4,271)	–	–	–	–	–	–	–	–	(4,271)	–	(4,271)
Share award arrangement	32	–	–	–	–	677	–	–	–	–	–	–	–	677	–	677
Transfer to reserve funds		–	–	–	–	–	–	–	–	36	–	(36)	–	–	–	–
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	23	–	–	23	(1,084)	(1,061)
Final 2007 dividend declared		–	–	–	–	–	–	–	–	–	–	143	(15,804)	(15,661)	–	(15,661)
Proposed final and special 2008 dividends	12	–	–	(19,909)	–	–	–	–	–	–	–	–	19,909	–	–	–
At 31 December 2008		25,386	237,452*	2,622*	(4,271)*	1,821*	(7,227)*	233*	340*	733*	1,114*	58,367*	19,909	336,479	(753)	335,726

* These reserve accounts comprise the consolidated reserves of HK$291,184,000 (2007: HK$286,272,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		39,829	29,599
From a discontinued operation		(2,104)	(750)
Adjustments for:			
Interest income	6	(4,679)	(6,580)
Dividend income from listed and unlisted investments	5	(533)	(717)
Gain on disposal of equity investments at fair value through profit or loss	5	(304)	(395)
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss	6	5,406	358
Investment properties	6	1,146	(4,530)
Depreciation	6	3,195	4,309
Impairment of trade receivables	6	1,812	33
Reversal of impairment of trade receivables	6	(541)	(127)
Impairment of amounts due from contract customers	6	1,506	7,762
Loss/(gain) on disposal of items of property, plant and equipment	6	(156)	193
Amortisation of deferred development costs	6	–	2,066
Write-down of inventories to net realisable value	6	–	37
Equity-settled share-based payment expense	32	677	–
Loss on disposal of subsidiaries	6, 34	572	–
		45,826	31,258
Decrease/(increase) in inventories		(2,384)	1,124
Decrease/(increase) in trade receivables		6,543	(37,613)
Decrease in amounts due from contract customers		9,455	26,893
Increase in prepayments, deposits and other receivables		(1,594)	(791)
Increase in trade payables, other payables and accruals		9,349	14,729
Increase in amounts due to contract customers		263	427
Increase in deferred income		61	2,245
Decrease in amount due to a minority shareholder of a subsidiary		(795)	–
Cash generated from operations		66,724	38,272
Hong Kong profits tax refunded/(paid)		50	(134)
Overseas taxes refunded/(paid)		(462)	82
Net cash inflow from operating activities		66,312	38,220

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Net cash inflow from operating activities		66,312	38,220
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		4,679	6,580
Dividends received from listed and unlisted investments		533	717
Purchases of items of property, plant and equipment		(2,443)	(1,379)
Purchases of listed investments		(12,087)	(4,524)
Purchases of available-for-sale investments		–	–
Proceeds from disposal of items of property, plant and equipment		505	9
Proceeds from disposal of listed investments		2,748	4,819
Held-to-maturity securities settled		767	–
Decrease/(increase) in pledged bank deposits		2,349	(5,001)
Increase in non-pledged bank deposits with original maturity of more than three months when acquired		(1,140)	–
Acquisition of subsidiaries		–	(3,628)
Disposal of subsidiaries	34	(8)	–
Net cash outflow from investing activities		(4,097)	(2,407)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	30	–	156
Purchase of shares under the restricted share award scheme	32	(4,271)	–
Repurchase of shares	30	(7,337)	(2,210)
Dividends paid		(15,661)	(7,950)
Net cash outflow from financing activities		(27,269)	(10,004)
NET INCREASE IN CASH AND CASH EQUIVALENTS		34,946	25,809
Cash and cash equivalents at beginning of year		190,348	163,822
Effect of foreign exchange rate changes, net		2,256	717
CASH AND CASH EQUIVALENTS AT END OF YEAR		227,550	190,348
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	60,857	70,528
Non-pledged time deposits with original maturity of less than three months when acquired	26	166,693	119,820
		227,550	190,348

BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	**283,030**	310,833
CURRENT ASSETS			
Prepayments	23	**265**	222
Cash and cash equivalents	26	**479**	372
Total current assets		**744**	594
CURRENT LIABILITIES			
Other payables and accruals	27	**420**	227
NET CURRENT ASSETS		**324**	367
Net assets		**283,354**	311,200
EQUITY			
Issued capital	30	**25,386**	26,340
Reserves	33(b)	**238,059**	269,056
Proposed dividends	12	**19,909**	15,804
Total equity		**283,354**	311,200

Ng Cheung Shing
Director

Leung King San, Sunny
Director

NOTES TO FINANCIAL STATEMENTS

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1. CORPORATE INFORMATION

Computer And Technologies Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 30th Floor, Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong.

During the year, the Group was involved in the following principal activities:

- provision of system and network integration services, application development services, IT solutions implementation and related maintenance outsourcing services;
- provision of enterprise software applications and related operation outsourcing and e-business services;
- distribution and retail of digital media products and other computer accessories, which was discontinued during the year as further detailed in note 11 to the financial statements; and
- property and treasury investments.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all 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. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint ventures (continued)
A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Goodwill
Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 *Business Combinations* ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

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

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

(b) the party is a member of the key management personnel of the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the shorter of the lease terms and 2% – 4%
Leasehold improvements	Over the shorter of the lease terms and 20%
Computer equipment and software	20% – 33 $^{1}/_{3}$%
Furniture, fixtures and other equipment	18% – 25%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any surplus at that date between the carrying amount and the fair value of the property is retained in asset revaluation reserve and remains there until the subsequent disposal or retirement of the property, whereby that time the revaluation surplus is transferred to retained profits.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products/services not exceeding five years, commencing from the date when the products/services are available for commercial use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity securities and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

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

Held-to-maturity securities

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity securities are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities and club membership debenture that are designated as available for sale or are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity securities carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced either directly or through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for an available-for-sale equity investment when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, financial liabilities included in accruals and an amount due to a minority shareholder of a subsidiary are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Shares held under the restricted share award scheme

Where shares of the Group are purchased from the market for the Award Scheme, the consideration paid, including any directly attributable incremental costs is presented as "Shares held under the restricted share award scheme" and deducted from equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods and work in progress, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred income

Deferred income represents service fees received in advance of the rendering of the corresponding services. Revenue is recognised and deferred income is released to the income statement when the corresponding services have been rendered.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the provision of IT solutions, e-business and related services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below or when the relevant services have been rendered;

(c) maintenance service income, on a time proportion basis over the period of the contract or when the relevant services have been rendered;

(d) from the sale of listed investments, on the transaction dates when the relevant contract notes are executed;

(e) rental income, on a time proportion basis over the lease terms;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(g) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction, or services performed to date as a percentage of total services to be performed. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions

The Company operates a number of equity-settled, share-based compensation schemes including two share option schemes and a restricted share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable. Non-market vesting conditions are included in assumptions about the number of equity instruments that will ultimately vest.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options and shares held under the restricted share award scheme is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Retirement benefits schemes

The Group operates defined contribution retirement benefits schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect of the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme"), the Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central retirement benefits scheme operated by the relevant local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central retirement benefits scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central retirement benefits scheme.

Dividends

Final and special dividends proposed by the directors, excluding those relating to the Company's own shares held under the Company's restricted share award scheme, are classified as a separate allocation of retained profits and/or other distributable reserves within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

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 discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was HK$25,813,000 (2007: HK$25,813,000). More details are given in note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Definite life non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of fair value of investment properties

Investment properties are carried in the balance sheet at their fair value. The fair value at the balance sheet date was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the income statement.

Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors including, inter alia, the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2008 was HK$2,851,000 (2007: HK$5,632,000). Further details are contained in note 29 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2008, no impairment losses have been recognised for available-for-sale assets (2007: Nil). The carrying amount of available-for-sale assets was HK$1,911,000 (2007: HK$2,587,000). Further details are included in note 20 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of technical innovation and competitor actions in response to serve industry cycles. Useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

Net realisable value of inventories

Net realisable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of change in market condition. The Group will reassess the estimations at each balance sheet date.

Contract for services

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, or services performed to date as a percentage of total services to be performed. Significant assumptions are required to estimate the total contract costs and/or the stage of completion, and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of management.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(a) the integration and solutions services segment engages in the provision of system and network integration services, application development services, IT solutions implementation and related maintenance outsourcing services;

(b) the application services segment engages in the provision of enterprise software applications and related operation outsourcing and e-business services;

(c) the investments segment primarily engages in various types of investing activities including, inter alia, property investment for rental income and treasury investments in listed and unlisted securities and held-to-maturity securities for dividend income and interest income; and

(d) the distribution segment engages in the distribution and retail of digital media products and other computer accessories.

The distribution segment is classified as a discontinued operation of the Group following the disposal of the relevant business during the year as further detailed in note 11 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

4. SEGMENT INFORMATION (CONTINUED)

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

There were no material intersegment sales and transfers during the current and the prior years.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007 or as at 31 December 2008 and 2007.

Group

	Continuing operations								Discontinued operation			
	Integration and Solutions Services		Application Services		Investments		Total		Distribution		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Segment revenue:												
Sales to external customers	321,009	278,707	53,849	48,343	1,528	1,422	376,386	328,472	23,624	30,266	400,010	358,738
Other revenue, income and gains	6,690	3,165	186	36	1,518	1,267	8,394	4,468	1,479	1,840	9,873	6,308
Total	327,699	281,872	54,035	48,379	3,046	2,689	384,780	332,940	25,103	32,106	409,883	365,046
Segment results before significant non-cash gains and expenses	45,211	35,675	13,512	9,189	3,317	2,615	62,040	47,479	(1,856)	(272)	60,184	47,207
Write-down of inventories to net realisable value	–	–	–	–	–	–	–	–	–	(37)	–	(37)
Depreciation	(1,612)	(1,982)	(922)	(1,466)	(229)	(231)	(2,763)	(3,679)	(248)	(441)	(3,011)	(4,120)
Amortisation of deferred development costs	–	–	–	(2,066)	–	–	–	(2,066)	–	–	–	(2,066)
Impairment of amounts due from contract customers	–	(6,059)	(1,506)	(1,703)	–	–	(1,506)	(7,762)	–	–	(1,506)	(7,762)
Impairment of trade receivables	(1,812)	(33)	–	–	–	–	(1,812)	(33)	–	–	(1,812)	(33)
Reversal of impairment of trade receivables	–	–	541	127	–	–	541	127	–	–	541	127
Net fair value gains/(losses) on investment properties	–	–	–	–	(1,146)	4,530	(1,146)	4,530	–	–	(1,146)	4,530
Net fair value losses on equity investments at fair value through profit or loss	–	–	–	–	(5,406)	(358)	(5,406)	(358)	–	–	(5,406)	(358)
Segment results	41,787	27,601	11,625	4,081	(3,464)	6,556	49,948	38,238	(2,104)	(750)	47,844	37,488
Unallocated other income and gains							6,295	7,915	–	–	6,295	7,915
Corporate and other unallocated depreciation							(184)	(189)	–	–	(184)	(189)
Corporate and other unallocated expenses							(16,230)	(16,365)	–	–	(16,230)	(16,365)
Profit/(loss) before tax							39,829	29,599	(2,104)	(750)	37,725	28,849
Tax							(5,172)	(814)	(14)	(64)	(5,186)	(878)
Profit/(loss) for the year							34,657	28,785	(2,118)	(814)	32,539	27,971

4. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (continued)

Group

	Continuing operations								Discontinued operation			
	Integration and Solutions Services		Application Services		Investments		Total		Distribution		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities:												
Segment assets	**107,356**	112,075	**33,139**	36,148	**39,441**	42,645	**179,936**	190,868	**-**	8,257	**179,936**	199,125
Corporate and other unallocated assets							**247,569**	215,051	**-**	–	**247,569**	215,051
Total assets							**427,505**	405,919	**-**	8,257	**427,505**	414,176
Segment liabilities	**67,678**	49,582	**18,406**	20,058	**1,541**	464	**87,625**	70,104	**-**	6,561	**87,625**	76,665
Corporate and other unallocated liabilities							**4,154**	8,216	**-**	–	**4,154**	8,216
Total liabilities							**91,779**	78,320	**-**	6,561	**91,779**	84,881
Other segment information:												
Capital expenditure	**1,281**	2,319	**356**	579	**-**	–	**1,637**	2,898	**373**	125	**2,010**	3,023
Corporate and other unallocated capital expenditure							**433**	71	**-**	–	**433**	71
							2,070	2,969	**373**	125	**2,443**	3,094
Depreciation	**1,612**	1,982	**922**	1,466	**229**	231	**2,763**	3,679	**248**	441	**3,011**	4,120
Corporate and other unallocated depreciation							**184**	189	**-**	–	**184**	189
							2,947	3,868	**248**	441	**3,195**	4,309

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007 or as at 31 December 2008 and 2007.

Group

	Hong Kong		Mainland China		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**131,003**	119,617	**256,357**	220,932	**12,650**	18,189	**400,010**	358,738
Attributable to a discontinued operation	**(10,974)**	(12,077)	**-**	–	**(12,650)**	(18,189)	**(23,624)**	(30,266)
Revenue from continuing operations	**120,029**	107,540	**256,357**	220,932	**-**	–	**376,386**	328,472
Other segment information:								
Segment assets	**260,739**	257,062	**166,766**	149,953	**-**	7,161	**427,505**	414,176
Capital expenditure	**1,605**	1,485	**734**	1,531	**104**	78	**2,443**	3,094

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5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the invoiced value of goods sold, net of trade discounts, returns and business tax, where applicable; fees earned from the provision of IT solutions, e-business and related services; fees earned from the provision of maintenance services; gross rental income earned from investment properties; and interest income earned from treasury investments during the year.

An analysis of revenue, other income and gains is as follows:

	Note	2008 HK$'000	2007 HK$'000
Revenue			
Sale of computer network and system platform		250,600	214,338
Provision of IT solutions, e-business and related services		53,578	53,389
Provision of maintenance services		70,680	59,323
Gross rental income from investment properties		1,501	1,377
Interest income from treasury investments		27	45
Attributable to continuing operations reported in the consolidated income statement		376,386	328,472
Sale of computer hardware, software and related accessories attributable to a discontinued operation	11	23,624	30,266
		400,010	358,738
Other income			
Bank interest income		4,611	6,448
Other interest income		45	–
Dividend income from listed and unlisted investments		533	717
Others		1,519	1,499
		6,708	8,664
Gains			
Gain on disposal of equity investments at fair value through profit or loss		304	395
Gain on disposal of items of property, plant and equipment		156	–
Foreign exchange differences, net		7,521	3,324
		7,981	3,719
Other income and gains attributable to continuing operations reported in the consolidated income statement		14,689	12,383
Other income and gains attributable to a discontinued operation	11	1,479	1,840
		16,168	14,223

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting)^:

	Notes	2008 HK$'000	2007 HK$'000
Cost of inventories sold		**246,863**	219,889
Cost of services provided		**31,965**	27,060
Depreciation*	14	**3,195**	4,309
Loss/(gain) on disposal of items of property, plant and equipment		**(156)**	193
Loss on disposal of subsidiaries**	34	**572**	–
Write-down of inventories to net realisable value		**–**	37
Amortisation of deferred development costs*	17	**–**	2,066
Minimum lease payments under operating leases in respect of land and buildings		**7,772**	8,534
Auditors' remuneration		**1,390**	1,680
Employee benefit expense (excluding directors' remuneration – note 7)#:			
Wages, salaries, bonuses and allowances		**74,337**	77,675
Equity-settled share-based payment expense		**403**	–
Retirement benefits scheme contributions (defined contribution schemes)		**4,477**	3,356
Less: Forfeited contributions##		**(730)**	(99)
Net retirement benefits scheme contributions		**3,747**	3,257
		78,487	80,932
Impairment of trade receivables**	22	**1,812**	33
Impairment of amounts due from contract customers**	24	**1,506**	7,762
Reversal of impairment of trade receivables**	22	**(541)**	(127)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**126**	127
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss**		**5,406**	358
Investment properties**	15	**1,146**	(4,530)
Net rental income		**(1,375)**	(1,250)
Interest income		**(4,679)**	(6,580)

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6. PROFIT BEFORE TAX (CONTINUED)

* The amortisation of deferred development costs of nil (2007: HK$2,066,000) and depreciation of HK$1,021,000 (2007: HK$1,253,000) are included in "Cost of sales" on the face of the consolidated income statement.

** These items are included in "Other expenses, net" on the face of the consolidated income statement.

Inclusive of an amount of HK$31,965,000 (2007: HK$27,060,000) classified under "Cost of services provided" above.

The amounts of forfeited contributions available to reduce the Group's contributions to the retirement benefits schemes in future years were not material as at 31 December 2008 and 2007.

^ The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**399**	240
	399	240
Other emoluments:		
Salaries, allowances and benefits in kind	**3,706**	2,800
Bonuses*	**1,347**	578
Equity-settled share-based payment expense#	**274**	–
Retirement benefits scheme contributions (defined contribution scheme)	**36**	36
	5,363	3,414
	5,762	3,654

* Certain directors of the Company are entitled to bonus payments which are determined by the board of directors on a discretionary basis.

During the year, certain directors were awarded restricted shares of the Company, subject to certain vesting conditions, in respect of their services to the Group, under the restricted share award scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such restricted shares, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

7. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees 2008 HK$'000	Fees 2007 HK$'000
Independent non-executive directors:		
Ha Shu Tong	133	80
Lee Kwok On, Matthew	133	80
Ting Leung Huel, Stephen	133	80
Total remuneration	399	240

Save as disclosed above, there were no other emoluments payable to the independent non-executive directors during the current and prior years.

(b) Executive directors

The fees and other emoluments paid to executive directors during the year were as follows:

	Salaries, allowances and benefits in kind HK$'000	Bonuses HK$'000	Equity-settled share-based payment expense HK$'000	Retirement benefits scheme contributions HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Ng Cheung Shing ("Mr. Ng")	2,463	93	137	12	2,705
Leung King San, Sunny	300	250	–	12	562
Ma Mok Hoi*	268	51	–	7	326
Yan King Shun^	675	953	137	5	1,770#
	3,706	1,347	274	36	5,363
2007					
Executive directors:					
Ng Cheung Shing	1,392	345	–	12	1,749
Leung King San, Sunny	948	155	–	12	1,115
Ma Mok Hoi	460	78	–	12	550
	2,800	578	–	36	3,414

* Resigned as a director of the Company on 28 July 2008.
^ Appointed as a director of the Company on 28 July 2008.
# Only includes the remuneration of Yan King Shun for the period subsequent to his appointment as a director of the Company.

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31 December 2008

7. DIRECTORS' REMUNERATION (CONTINUED)

The directors' remuneration paid to Mr. Ng included a housing allowance of HK$1,698,000 (2007: HK$1,380,000) which is remunerated by way of rental reimbursement. The rentals of the related property were paid directly by Mr. Ng to the landlord, which is a company jointly controlled by Mr. Ng and one of his family members.

There was no arrangement under which a director waived or agreed to waive any remuneration during the current and prior years.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2007: two) directors, of which one of them was appointed as a director of the Company during the year (the "New Director"), details of whose remuneration for the period they are the directors of the Company are set out in note 7 to the financial statements. Details of the remuneration of the New Director for the whole year and the remaining three (2007: three) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,291**	3,593
Equity-settled share-based payment expense	**313**	–
Bonuses	**4,834**	1,884
Retirement benefits scheme contributions (defined contribution schemes)	**119**	61
	9,557*	5,538

* Including the remuneration of the New Director for the period subsequent to his appointment as a director of the Company of approximately HK$1,770,000.

The number of non-director, highest paid employees, including the New Director, whose remuneration for the whole year fell within the following bands is as follows:

	Number of employees	
	2008	2007
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	–
	4	3

During the year, restricted shares of the Company, subject to certain vesting conditions, were awarded to one non-director, highest paid employee, in respect of his services to the Group, under the restricted share award scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such restricted shares, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

9. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008 HK$'000	2007 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	574	99
Overprovision in prior years	–	(48)
Current – Elsewhere		
Charge for the year	2,404	4,409
Overprovision in prior years	(700)	(620)
Deferred (note 29)	2,908	(2,962)
Total tax charge for the year	5,186	878

A reconciliation of the tax expense applicable to profit before tax using the statutory profits tax rate for Hong Kong in which the Company and the majority of its subsidiaries are operating/domiciled to the tax charge at the effective tax rate is as follows:

Group

	2008 HK$'000	2007 HK$'000
Profit before tax (including loss attributable to a discontinued operation)	37,725	28,849
Tax at the Hong Kong statutory tax rate of 16.5% (2007: 17.5%)	6,225	5,049
Effect on opening deferred tax of decrease in tax rate	288	–
Higher tax rates for overseas subsidiaries	878	1,980
Adjustments in respect of current tax of prior years	(700)	(668)
Effect of withholding tax at 5% on the distibutable profits of a subsidiary of the Group established in the People's Republic of China	155	–
Income not subject to tax	(2,423)	(2,343)
Expenses not deductible for tax	3,971	1,973
Tax losses utilised from prior periods	(3,541)	(7,122)
Tax losses not recognised	316	1,975
Others	17	34
Tax charge at the Group's effective tax rate	5,186	878
Represented by:		
Tax charge attributable to continuing operations	5,172	814
Tax charge attributable to a discontinued operation (note 11)	14	64
	5,186	878

NOTES TO FINANCIAL STATEMENTS

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9. TAX (CONTINUED)

Under the income tax laws of the People's Republic of China (the "PRC"), enterprises are subject to corporate income tax ("CIT") generally at a rate of 25% (2007: 33%). However, certain of the Group's PRC subsidiaries are operating in specific development zones of the PRC and the relevant tax authorities have granted those subsidiaries a preferential CIT rate of 18% (2007: 15%).

One of the Company's subsidiaries is a foreign investment enterprise registered in the PRC. After obtaining authorisation from the relevant tax authority, the subsidiary is entitled to a full corporate income tax exemption for the first two years and a 50% reduction in the succeeding three years, commencing from the first profitable year (starting from the year ended 31 December 2005).

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2008 includes a loss of HK$1,254,000 (2007: profit of HK$9,257,000) which has been dealt with in the financial statements of the Company (note 33(b)).

11. DISCONTINUED OPERATION

In November 2008, the Company announced the decision of its board of directors to dispose of its entire 75% equity interest in Maxfair Technology Holdings Limited ("Maxfair") to a director of a 70% owned subsidiary of Maxfair, further details of which are set out in a circular of the Company dated 1 December 2008. Maxfair, together with its subsidiary (collectively the "Maxfair Group"), mainly engages in the distribution and retail of digital media products and other computer accessories (the "Distribution and Retail Business"), which belong to the Group's "Distribution" business segment and are part of the Group's "Hong Kong" and "Others" geographical segments. The Group has decided to cease its Distribution and Retail Business because it plans to focus its resources on its core businesses and focused geographical segments. Accordingly, the Group also ceased its Distribution and Retail Business in Hong Kong. The disposal of the Maxfair Group was completed in November 2008 and the Group has discontinued its Distribution and Retail Business since then.

The results of the discontinued operation for the year are presented below:

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	23,624	30,266
Cost of sales		(17,955)	(21,794)
Other income and gains	5	1,479	1,840
Expenses		(9,252)	(11,062)
Loss before tax from the discontinued operation		(2,104)	(750)
Tax	9	(14)	(64)
Loss for the year from the discontinued operation		(2,118)	(814)

11. DISCONTINUED OPERATION (CONTINUED)

The net cash flows incurred by the discontinued operation are as follows:

	2008 HK$'000	2007 HK$'000
Operating activities	(5,082)	(1,700)
Investing activities	(350)	(39)
Net cash outflow	(5,432)	(1,739)
	HK cents	HK cents
Loss per share: (note 13)		
Basic, from the discontinued operation	0.62	0.24
Diluted, from the discontinued operation	0.62	N/A

12. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Proposed final – HK$0.06 (2007: HK$0.06) per ordinary share	15,232	15,804
Less: Dividend for shares held under the Company's restricted share award scheme	(300)	–
	14,932	15,804
Proposed special – HK$0.02 (2007: Nil) per ordinary share	5,077	–
Less: Dividend for shares held under the Company's restricted share award scheme	(100)	–
	4,977	–
	19,909	15,804

The proposed dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to exclude the shares held under the restricted share award scheme of the Company.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion or vesting of all dilutive potential ordinary shares relating to the Company's share option schemes and restricted share award scheme into ordinary shares.

Since the exercise price of the Company's outstanding share options is higher than the average market prices of the Company's ordinary shares during the years ended 31 December 2008 and 2007, the Company's outstanding share options have no dilutive effect on the basic earnings per share for these years. Accordingly, diluted earnings per share amounts for the year ended 31 December 2007 have not been disclosed.

The calculations of basic and diluted earnings per share are based on:

	2008 HK$'000	2007 HK$'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation:		
From continuing operations	34,657	28,785
From a discontinued operation	(1,590)	(643)
	33,067	28,142
Shares		
Weighted average number of ordinary shares in issue during the year less shares held under the Company's restricted share award scheme used in the basic earnings per share calculation	256,216	264,770
Effect of dilution – awarded restricted shares under the Company's restricted share award scheme	686	–
	256,902	264,770

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Computer equipment and software HK$'000	Furniture, fixtures and other equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2008						
At 31 December 2007 and at 1 January 2008:						
Cost	4,652	7,274	37,839	5,643	2,536	57,944
Accumulated depreciation	(616)	(7,114)	(34,266)	(4,964)	(1,082)	(48,042)
Net carrying amount	4,036	160	3,573	679	1,454	9,902
At 1 January 2008, net of accumulated depreciation	4,036	160	3,573	679	1,454	9,902
Additions	–	491	1,046	333	573	2,443
Transfer from investment properties (note 15)	3,000	–	–	–	–	3,000
Disposals	–	(169)	(83)	(11)	(86)	(349)
Disposal of subsidiaries (note 34)	–	(51)	–	(191)	(7)	(249)
Depreciation provided during the year	(190)	(194)	(2,235)	(348)	(228)	(3,195)
Exchange realignment	–	2	28	5	136	171
At 31 December 2008, net of accumulated depreciation	6,846	239	2,329	467	1,842	11,723
At 31 December 2008:						
Cost	7,652	2,157	28,858	2,406	2,233	43,306
Accumulated depreciation	(806)	(1,918)	(26,529)	(1,939)	(391)	(31,583)
Net carrying amount	6,846	239	2,329	467	1,842	11,723
31 December 2007						
At 1 January 2007:						
Cost	7,158	7,315	35,938	5,942	1,298	57,651
Accumulated depreciation	(736)	(6,737)	(30,877)	(4,958)	(828)	(44,136)
Net carrying amount	6,422	578	5,061	984	470	13,515
At 1 January 2007, net of accumulated depreciation	6,422	578	5,061	984	470	13,515
Additions	–	–	1,602	293	1,199	3,094
Surplus on revaluation upon transfer to investment properties*	311	–	–	–	–	311
Transfer to investment properties* (note 15)	(2,505)	–	–	–	–	(2,505)
Disposals	–	(2)	(21)	(179)	–	(202)
Depreciation provided during the year	(192)	(419)	(3,046)	(422)	(230)	(4,309)
Exchange realignment	–	3	(23)	3	15	(2)
At 31 December 2007, net of accumulated depreciation	4,036	160	3,573	679	1,454	9,902
At 31 December 2007:						
Cost	4,652	7,274	37,839	5,643	2,536	57,944
Accumulated depreciation	(616)	(7,114)	(34,266)	(4,964)	(1,082)	(48,042)
Net carrying amount	4,036	160	3,573	679	1,454	9,902

* In the prior year, a leasehold land and building of the Group was revalued at the date of change in use as an investment property by management at an open market value of HK$2,505,000 (note 15). A revaluation surplus of HK$311,000, resulting from the above valuation, was credited and the corresponding deferred tax effect of HK$103,000 (note 29) was debited to the Group's asset revaluation reserve during the year ended 31 December 2007.

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's leasehold land and buildings are held under the following lease terms:

	2008 HK$'000	2007 HK$'000
Hong Kong:		
Medium term leases	418	433
Mainland China:		
Medium term leases	2,441	2,537
Long term leases	3,987	1,066
	6,428	3,603
	6,846	4,036

15. INVESTMENT PROPERTIES

Group

	Notes	2008 HK$'000	2007 HK$'000
Carrying amount at 1 January		29,047	22,012
Transfer from/(to) leasehold land and buildings#	14	(3,000)	2,505
Net profit/(loss) from a fair value adjustment	6	(1,146)	4,530
Carrying amount at 31 December		24,901	29,047

An investment property of the Group was revalued at the date of change in use as leasehold land and building by management at an open market value of HK$3,000,000 (note 14). There was no revaluation surplus or deficit from the above valuation.

15. INVESTMENT PROPERTIES (CONTINUED)

The Group's investment properties are held under the following lease terms:

	2008 HK$'000	2007 HK$'000
Hong Kong:		
Medium term leases	**3,135**	2,565
Long term leases	**16,340**	17,500
	19,475	20,065
Mainland China:		
Medium term leases	**4,012**	4,422
Long term leases	**1,414**	4,560
	5,426	8,982
	24,901	29,047

The Group's investment properties were revalued on 31 December 2008 by Landscope Surveyors Limited, independent professionally qualified valuers, at HK$24,901,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

At 31 December 2008, one of the Group's investment properties situated in Hong Kong with a carrying value of approximately HK$16,340,000 (2007: HK$17,500,000) was pledged to secure general banking facilities granted to the Group.

Further particulars of the Group's investment properties are included on page 101.

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16. GOODWILL

Group

	HK$'000
31 December 2007	
Cost at 1 January 2007	23,900
Acquisition of subsidiaries	1,913
Cost and carrying amount at 31 December 2007	25,813

Group

	HK$'000
31 December 2008	
Cost and carrying amount at 1 January 2008 and 31 December 2008	25,813

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against consolidated reserves.

The amount of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was HK$7,227,000 as at 31 December 2007 and 2008. The amount of goodwill is stated at its cost less cumulative impairment of HK$3,890,000.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- Application services cash-generating unit; and
- Integration and solutions services cash-generating unit.

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Application Services		Integration and Solutions Services		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**23,790**	23,790	**2,023**	2,023	**25,813**	25,813

Application services cash-generating unit

The recoverable amount of the application services cash-generating unit has been determined based on a value in use calculation using cash flow projections approved by management covering a five-year period and extrapolated with zero growth rate. The discount rate applied to the cash flow projections is 10% (2007: 5%) and the cash flow projections are determined based on past performance and management's expected market development.

Integration and solutions services cash-generating unit

The recoverable amount of the integration and solutions services cash-generating unit has also been determined based on a value in use calculation using cash flow projections approved by senior management covering a five-year period and extrapolated perpetually with zero growth rate. The discount rate applied to the cash flow projections is 10% (2007: 5%) and the cash flow projections are determined based on past performance and management's expected market development.

Key assumptions were used in the value in use calculation of the application services and integration and solutions services cash-generating units for 31 December 2008 and 31 December 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue – The basis used to determine the value assigned to the budgeted revenue is the revenue achieved in the year immediately before the budget year, adjusting for management's expected change in market demand and customer base.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant cash-generating units.

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17. OTHER INTANGIBLE ASSETS

Group

	Deferred development costs HK$'000
31 December 2008	
Cost at 1 January 2008 and at 31 December 2008, net of accumulated amortisation and impairment	–
At 31 December 2008:	
Cost	13,026
Accumulated amortisation and impairment	(13,026)
Net carrying amount	–

Group

	Deferred development costs HK$'000
31 December 2007	
At 1 January 2007:	
Cost	13,026
Accumulated amortisation and impairment	(10,960)
Net carrying amount	2,066
Cost at 1 January 2007, net of accumulated amortisation and impairment	2,066
Amortisation provided during the year (note 6)	(2,066)
At 31 December 2007, net of accumulated amortisation and impairment	–
At 31 December 2007 and at 1 January 2008:	
Cost	13,026
Accumulated amortisation and impairment	(13,026)
Net carrying amount	–

18. INTERESTS IN SUBSIDIARIES

	Company 2008 HK$'000	Company 2007 HK$'000
Unlisted investments, at cost	46,310	45,633
Due from subsidiaries	328,363	356,843
	374,673	402,476
Impairment*	(91,643)	(91,643)
	283,030	310,833

* An impairment was recognised for certain unlisted investments/amounts due from subsidiaries with a carrying amount of HK$374,062,000 (before deducting the impairment loss) (2007: HK$402,476,000) because the recoverable amount of these investments/amounts due from subsidiaries was lower than their carrying amounts. There was no change in the impairment account during the current and prior years.

The amounts due from subsidiaries included in the Company's interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company 2008	2007	Principal activities
Apex Result Trading Limited	Hong Kong	Ordinary HK$2	100	100	Property holding
Computer And Technologies (BVI) Limited	British Virgin Islands	Ordinary US$1,000	100	100	Investment holding
Computer And Technologies International Limited	Hong Kong	Ordinary HK$2 Non-voting deferred** HK$5,000,000	100	100	Provision of IT services and investment holding
Computer And Technologies Integration Limited	Hong Kong	Ordinary HK$2	100	100	Provision of system and network integration services

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18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company 2008	2007	Principal activities
Computer & Technologies International Trading (Shanghai) Company Limited#	PRC/Mainland China	US$200,000	100	100	Trading of computer hardware and software
Computer & Technologies (Shanghai) Co., Ltd.##	PRC/Mainland China	US$3,500,000	100	100	Provision of system and network integration services
Computer & Technologies Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	Investment holding and treasury investments
C&T (Guangzhou) Investment Limited	Hong Kong	Ordinary HK$2	100	100	Property holding
C&T (Hong Kong) Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	Property holding
C&T (Nanjing) Investment Limited	Hong Kong	Ordinary HK$2	100	100	Property holding
C&T (Shanghai) Investment Limited	Hong Kong	Ordinary HK$2	100	100	Property holding
Computer And Technologies Solutions Limited	Hong Kong	Ordinary HK$10,000	100	100	Provision of IT solutions and implementation services
Computer & Technologies Solutions (Shenzhen) Co., Ltd.##	PRC/Mainland China	US$1,128,000	100	100	Provision of IT solutions and implementation services

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company 2008	2007	Principal activities
Global e-Business Services (BVI) Limited	British Virgin Islands	Class A US$1,600 Class B US$400	100	100	Investment holding
Global e-Business Services Limited	Hong Kong	Ordinary HK$1,010,000	100	100	Provision of enterprise application services
Global e-Trading Services Limited	Hong Kong	Ordinary HK$2,501,000	100	100	Provision of government electronic trading services
e-tendering.com Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	Provision of e-tendering services
ets.com.hk Limited	Hong Kong	Ordinary HK$2	100	100	Provision of e-tendering services for the HKSAR Government
IPL Research Limited	Hong Kong	Ordinary HK$100 Non-voting deferred** HK$300,000	100	100	Provision of human resources management system and related services
Maxfair Technology Limited	Hong Kong	Ordinary HK$2,500,000	75	75	Distribution of digital media products
Maxfair Technology (Taiwan) Company Limited***	Taiwan	Ordinary NT$10,000,000	–	52.5	Distribution of digital media products

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18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company 2008	2007	Principal activities
Modern Lucky Investments Limited	Hong Kong	Ordinary HK$2	100	100	Property holding
Waywin Limited	British Virgin Islands/ Hong Kong	Ordinary US$10,000	100	100	Investment holding
Y&A Professional Services Limited	Hong Kong	Ordinary HK$2,169,000	99.993	99.993	Provision of information technology solutions and consultation services
上海商絡軟件有限公司##	PRC/Mainland China	Ordinary US$140,000	100	100	Provision of human resources management and related services

The subsidiary is registered as a Sino-foreign equity joint venture under the PRC law.

The subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

** The non-voting deferred shares, which are not held by the Group, carry no rights to dividends or to receive notice of or to attend or vote at any general meeting. In the winding-up of the subsidiaries, the holders of the deferred shares carry the rights to receive a return of capital after the holders of the ordinary shares have received a sum of HK$1,000,000,000 per ordinary share.

*** The subsidiary was disposed of during the current year. Further details of the disposal are included in notes 11 and 34 to the financial statements and also in a circular of the Company dated 10 November 2008.

Except for Computer And Technologies (BVI) Limited, all of the above subsidiaries are indirectly held by the Company.

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

19. HELD-TO-MATURITY SECURITIES

	Group	
	2008 HK$'000	2007 HK$'000
At amortised cost:		
Unlisted debt securities	498	1,265
Portion classified as current assets	–	(767)
Non-current portion	498	498

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008 HK$'000	2007 HK$'000
Club membership debenture, at fair value	1,500	2,050
Unlisted equity investment, at fair value	411	537
	1,911	2,587

During the year, the gross loss of the Group's available-for-sale investments recognised directly in equity amounted to HK$727,000 (2007: gross gain of HK$766,000).

The above investments consist of investments in securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair values of the club membership debenture and unlisted equity investment are based on quoted/available market prices.

21. INVENTORIES

	Group	
	2008 HK$'000	2007 HK$'000
Work in progress	11,326	6,132
Finished goods	–	5,577
	11,326	11,709

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22. TRADE RECEIVABLES

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**79,239**	86,460
Impairment	**(4,469)**	(3,573)
	74,770	82,887

For system integration projects and the provision of maintenance services and software development services, the Group's trading terms with its customers vary from contract to contract or depending on the specific arrangements with individual customers, and may include cash on delivery, advance payment and on credit. For those customers who trade on credit, the overall credit period is generally within 120 days, except for certain projects with longer implementation schedules where the period may extend beyond 120 days, or may be extended for major or specific customers. The Group seeks to maintain strict control over its outstanding trade receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current	**50,976**	35,896
1 to 3 months	**16,959**	38,882
4 to 6 months	**3,112**	8,092
More than 6 months	**3,723**	17
	74,770	82,887

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**3,573**	3,552
Impairment losses recognised (note 6)	**1,812**	33
Impairment losses reversed (note 6)	**(541)**	(127)
Amount written off as uncollectible	**(605)**	–
Exchange realignment	**230**	115
At 31 December	**4,469**	3,573

22. TRADE RECEIVABLES (CONTINUED)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$4,469,000 (2007: HK$3,573,000) with a carrying amount of HK$4,469,000 (2007: HK$3,585,000). The individually impaired trade receivables relate to amounts that are long outstanding and/or customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**50,976**	35,896
Less than 1 month past due	**8,814**	29,942
1 to 3 months past due	**8,145**	8,940
4 to 6 months past due	**3,112**	8,092
Over 6 months past due	**3,723**	5
	74,770	82,875

Receivables that were neither past due nor impaired relate to a number of diversified customers, including certain departments/units of the Government of the HKSAR, for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers with good reputation and/or have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**1,431**	4,740	**265**	222
Deposits and other receivables	**5,785**	3,244	**–**	–
	7,216	7,984	**265**	222

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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24. CONTRACT FOR SERVICES

	Group	
	2008	2007
	HK$'000	HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	**305,981**	292,916
Less: Progress billings	**(294,184)**	(269,896)
	11,797	23,020
Gross amounts due from contract customers	**22,705**	32,159
Impairment	**(9,268)**	(7,762)
	13,437	24,397
Gross amounts due to contract customers	**(1,640)**	(1,377)
	11,797	23,020

The movement in provision for impairment of amounts due from contract customers is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**7,762**	–
Impairment losses recognised (note 6)	**1,506**	7,762
At 31 December	**9,268**	7,762

Included in the above provision for impairment of amounts due from contract customers is a provision for individually impaired contract receivable amounts of HK$9,268,000 (2007: HK$7,762,000) with a carrying amount of HK$9,393,000 (2007: HK$7,887,000). The individually impaired contract receivable amounts relate to amounts that are long outstanding and the amounts are not expected to be fully recovered.

Amounts due from contract customers that were not impaired were not past due and relate to a number of independent customers that have a good track record/relationship with the Group and/or for whom there was no recent history of default. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**9,947**	5,710

The above equity investments at 31 December 2008 and 2007 were classified as held for trading.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$7,618,000.

26. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**60,857**	70,528	**479**	372
Time deposits	**182,161**	136,497	**–**	–
	243,018	207,025	**479**	372
Less: Pledged time deposits for performance bonds/guarantees issued by banks	**(14,328)**	(16,677)	**–**	–
Cash and cash equivalents for the purpose of the balance sheets	**228,690**	190,348	**479**	372
Less: Non-pledged time deposit with original maturity of more than three months when acquired	**(1,140)**	–		
Cash and cash equivalents for the purpose of the consolidated cash flow statement	**227,550**	190,348		

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$42,862,000 (2007: HK$61,838,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

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27. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Trade payables	42,227	37,699	–	–
Other payables	15,587	13,862	–	207
Accruals	13,138	13,866	420	20
	70,952	65,427	420	227

An aged analysis of the trade payables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Current	36,922	30,220
1 to 3 months	4,870	5,842
4 to 6 months	419	603
Over 6 months	16	1,034
	42,227	37,699

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

28. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	2008 Revaluation of properties HK$'000	2008 Withholding taxes HK$'000	2008 Total HK$'000
At 1 January 2008	773	–	773
Deferred tax charged/(credited) to the income statement during the year	(28)	155	127
Deferred tax credited to equity during the year due to a change in tax rate	(25)	–	(25)
Deferred tax liabilities recognised in the consolidated balance sheet at 31 December 2008	720	155	875

	2007 Revaluation of properties HK$'000
At 1 January 2007	–
Deferred tax charged to the income statement during the year	670
Deferred tax debited to equity during the year (note 14)	103
Deferred tax liabilities recognised in the consolidated balance sheet at 31 December 2007	773

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29. DEFERRED TAX (CONTINUED)

Deferred tax assets

Group

	Losses available for offsetting against future taxable profits 2008 HK$'000	2007 HK$'000
At 1 January	5,632	2,000
Deferred tax credited/(debited) to the income statement during the year, including a charge of HK$316,000 (2007: Nil) due to a change in tax rate	(2,781)	3,632
Deferred tax assets recognised in the consolidated balance sheet at 31 December	2,851	5,632

At the balance sheet date, the Group had unrecognised tax losses arising in Hong Kong of HK$59,485,000 (2007: HK$51,389,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and/or due to the unpredictability of future taxable profit streams of the companies in which the losses arose, and it is currently not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty/arrangement between China and the jurisdiction of the foreign investors. For the Group's subsidiaries established in Mainland China, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries in respect of earnings generated from 1 January 2008.

At 31 December 2008, in respect of certain of the subsidiaries of the Group established in Mainland China, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$618,000 at 31 December 2008 (2007: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	2008 HK$'000	2007 HK$'000
Authorised:		
1,000,000,000 (2007: 1,000,000,000) ordinary shares of HK$0.10 each	100,000	100,000
Issued and fully paid:		
253,862,198 (2007: 263,396,198) ordinary shares of HK$0.10 each	25,386	26,340

A summary of the movements in the Company's issued ordinary share capital, share premium account and shares held under the restricted share award scheme is as follows:

Ordinary shares	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Shares held under the restricted share award scheme HK$'000	Total HK$'000
At 1 January 2007		265,612,198	26,561	237,310	–	263,871
Repurchase of shares	(a)	(2,354,000)	(235)	–	–	(235)
Share options exercised	(b)	138,000	14	142	–	156
At 31 December 2007 and 1 January 2008		263,396,198	26,340	237,452	–	263,792
Repurchase of shares	(c)	(9,534,000)	(954)	–	–	(954)
Purchase of shares held under the restricted share award scheme	(d)	–	–	–	(4,271)	(4,271)
At 31 December 2008		253,862,198	25,386	237,452	(4,271)	258,567

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30. SHARE CAPITAL (CONTINUED)

Notes:

(a) During the year ended 31 December 2007, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	HK$	HK$'000
January 2007	638,000	0.80	0.78	506
October 2007	722,000	1.02	0.95	710
November 2007	994,000	1.01	0.92	994
	2,354,000			2,210

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK$1,975,000 was charged to the contributed surplus.

(b) The subscription rights attaching to 138,000 share options were exercised at the subscription price of HK$1.128 per share (note 31), resulting in the issue of 138,000 ordinary shares of the Company of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$156,000.

(c) During the year ended 31 December 2008, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	HK$	HK$'000
January 2008	2,308,000	0.95	0.85	2,102
February 2008	64,000	0.85	0.85	54
June 2008	1,422,000	0.84	0.83	1,194
July 2008	714,000	0.85	0.83	602
August 2008	212,000	0.85	0.85	180
October 2008	3,964,000	0.75	0.55	2,698
November 2008	850,000	0.62	0.58	507
	9,534,000			7,337

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK$6,383,000 was charged to the contributed surplus.

(d) The Company adopted the Award Scheme in 2008, as set out in note 32.

30. SHARE CAPITAL (CONTINUED)

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 31 to the financial statements.

31. SHARE OPTION SCHEMES

The Company operates two share option schemes for the primary purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share option schemes entitle the holders of share options granted under the schemes to subscribe for ordinary shares of the Company at any time during the exercisable periods of the options. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

(a) Share option scheme adopted in 1998

On 29 April 1998, the Company adopted a share option scheme (the "1998 Scheme"). Eligible participants of the 1998 Scheme are the Group's employees including the Company's executive directors. The 1998 Scheme became effective on 29 April 1998 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares issuable under unexercised share options currently permitted to be granted under the 1998 Scheme may not exceed 10% of the issued share capital of the Company at the time of granting the options, without taking into account any shares issued and allotted pursuant to the exercise of options granted under the 1998 Scheme. The maximum number of shares issuable under share options granted to any eligible individual participant in the 1998 Scheme shall not exceed 25% of the issuable shares under the 1998 Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than six years from the date of offer of the share options or the expiry date of the 1998 Scheme, whichever is earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (ii) the nominal value of the shares.

The Company has not adopted the amendments made by Chapter 17 of the Listing Rules on Share Option Schemes (the "Chapter 17 Amendments"), which came into effect on 1 September 2001, for the 1998 Scheme. Accordingly, the Group has not granted any options under the 1998 Scheme since 1 September 2001. The share options which have been granted under the 1998 Scheme but remain unexercised shall continue to be valid and exercisable in accordance with their terms of issue and the rules of the 1998 Scheme.

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31. SHARE OPTION SCHEMES (CONTINUED)

(b) Share option scheme adopted in 2002

To comply with the Chapter 17 Amendments, the Company adopted a new share option scheme in 2002 (the "2002 Scheme"). Eligible participants of the 2002 Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any minority shareholder in the Company's subsidiaries. The 2002 Scheme became effective on 30 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the 2002 Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 2002 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5.0 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the 2002 Scheme, whichever is earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

The following share options were outstanding under the 2002 Scheme during the year:

	2008		2007	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**1.128**	**2,318**	1.128	2,456
Exercised during the year	**–**	**–**	1.128	(138)
At 31 December	**1.128**	**2,318**	1.128	2,318

The weighted average share price at the date of exercise for share options exercised during the prior year was HK$1.3.

31. SHARE OPTION SCHEMES (CONTINUED)

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

31 December 2008 and 2007

Number of options '000	Exercise price* HK$ per share	Exercise period
2,318	1.128	1-3-05 to 31-8-09

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

All share options granted under the 1998 Scheme were either forfeited, exercised or expired in prior years. No share options have been granted under the 1998 Scheme and the 2002 Scheme since 2005.

At the balance sheet date, the Company had 2,318,000 share options outstanding under the 2002 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,318,000 additional ordinary shares of the Company and additional share capital of approximately HK$232,000 and share premium of approximately HK$2,383,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 2,318,000 share options outstanding under the 2002 Scheme, which represented approximately 0.9% of the Company's ordinary shares in issue as at that date.

32. RESTRICTED SHARE AWARD SCHEME

On 22 May 2008, the Company adopted a restricted share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (including directors) of any members of the Group (the "Selected Employees") in accordance with the provisions of the Award Scheme and an irrevocable trust (the "Trust") was also established by the Company for the purpose of the Award Scheme. The Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date. Further details of the Award Scheme are also set out in a circular of the Company dated 29 April 2008.

The aggregate number of Awarded Shares currently permitted to be awarded under the Award Scheme throughout the duration of the Award Scheme is limited to 10% of the issued share capital of the Company from time to time. Subject to the aforesaid limit, the maximum number of Awarded Shares which may be awarded under the Award Scheme shall not exceed 2% of the issued share capital of the Company as at the year end date of the preceding financial year of the Company for any 12-month period up to and including the date of the relevant grant. The maximum number of Awarded Shares which may be awarded to a Selected Employee under the Award Scheme shall not exceed 1% of the issued share capital of the Company as at the year end date of the preceding financial year of the Company.

Pursuant to the rules governing the operation of the Award Scheme (the "Scheme Rules"), the board of directors of the Company (the "Board") shall select the Selected Employees and determine the number of Awarded Shares to be awarded. The Board shall cause to pay the trustee of the Trust (the "Trustee") the purchase price and the related expenses from the Company's resources for the shares of the Company to be purchased by the Trustee. The Trustee is a third party appointed by the Board for the administration of the Award Scheme. The Trustee shall purchase from the market such number of shares of the Company awarded as specified by the Board and shall hold such shares until they are vested in accordance with the Scheme Rules.

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32. RESTRICTED SHARE AWARD SCHEME (CONTINUED)

When a Selected Employee has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded Shares to that employee at no cost. The Selected Employee however is not entitled to receive any income or distribution, such as dividend derived from the Awarded Shares allocated to him/her. The said income or distributions shall be used by the Trustee for payment of the Trustee's fees or expenses or for purchase of further shares of the Company for the Award Scheme.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded Shares and further shares of the Company acquired out of the income derived therefrom.

The fair value of the Awarded Shares awarded was based on the market value of the Company's shares of the grant date and the Group recognised an equity-settled share-based payment expense of HK$677,000 for the year ended 31 December 2008.

During the year, 5,000,000 Awarded Shares were awarded to certain executive directors of the Company and certain employees of the Group, which will be transferred to the executive directors and employees at nil consideration, subject to the satisfaction of certain service and performance conditions, upon vesting in various tranches, with the last tranche ending on 30 June 2015. During the year, the Trustee acquired for the Award Scheme 5,000,000 ordinary shares of the Company through purchases on the open market at a total cost (including related transaction costs) of approximately HK$4,271,000.

The following Awarded Shares were awarded and outstanding under the Award Scheme during the year:

	2008		2007	
	Weighted average fair value per share HK$	**Number of Awarded Shares awarded**	Weighted average fair value per share HK$	Number of Awarded Shares awarded
At 1 January	**–**	**–**	–	–
Awarded during the year	**0.61**	**5,000,000**	–	–
Vested	**–**	**–**	–	–
At 31 December	**0.61**	**5,000,000**	–	–

Out of a total of 5,000,000 Awarded Shares, 2,000,000 Awarded Shares were awarded to the executive directors of the Company.

At the date of approval of these financial statements, the Company had 5,000,000 Awarded Shares outstanding under the Award Scheme, which represented approximately 2.0% of the Company's shares in issue at that date.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 30 to 31 of the financial statements.

The Group's contributed surplus originally represented the excess of the aggregate net asset value of the subsidiaries acquired at the date of their acquisition pursuant to the Group reorganisation on 29 April 1998, over the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant PRC laws and regulations for wholly-foreign-owned enterprises, a portion of the profits of the Group's subsidiaries, which are registered in the PRC, has been transferred to reserve funds which are restricted as to use. The subsidiaries are not required to effect any further transfer when the amount of their reserve funds reaches 50% of their registered capital.

The Group's goodwill reserve represents goodwill which arose on the acquisition of certain subsidiaries in prior years and remains eliminated against consolidated reserves, as further explained in note 16 to the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Shares held under the restricted share award scheme HK$'000	Total HK$'000
At 1 January 2007		237,310	30,889	1,144	8,093	–	277,436
Repurchase of shares	30	–	(1,975)	–	–	–	(1,975)
Profit for the year		–	–	–	9,257	–	9,257
Share options exercised		142	–	–	–	–	142
Proposed final 2007 dividend	12	–	–	–	(15,804)	–	(15,804)
At 31 December 2007 and at 1 January 2008		237,452	28,914	1,144	1,546	–	269,056
Repurchase of shares	30	–	(6,383)	–	–	–	(6,383)
Purchase of share held under the restricted share award scheme		–	–	–	–	(4,271)	(4,271)
Loss for the year		–	–	–	(1,254)	–	(1,254)
Share award arrangement		–	–	677	–	–	677
Transfer from proposed 2007 final dividend		–	–	–	143	–	143
Proposed final and special 2008 dividends	12	–	(19,909)	–	–	–	(19,909)
At 31 December 2008		237,452	2,622	1,821	435	(4,271)	238,059

The Company's contributed surplus originally represented the excess of the aggregate net asset value of the subsidiaries acquired at the date of their acquisition pursuant to the Group reorganisation on 29 April 1998, over the nominal value of the Company's shares issued in exchange therefor.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

33. RESERVES (CONTINUED)

(b) Company (continued)

Under the Bermuda Companies Act 1981, a company may make distributions to its members out of the contributed surplus in certain circumstances.

34. DISPOSAL OF SUBSIDIARIES

	Notes	2008 HK$'000	2007 HK$'000
Net assets disposed of:			
Property, plant and equipment	14	249	–
Inventories		2,767	–
Trade receivables		73	–
Prepayments, deposits and other receivables		2,362	–
Cash and bank balances		1,223	–
Trade payables, other payables and accruals		(3,824)	–
Tax payable		(2)	–
Minority interests		(1,084)	–
		1,764	–
Release of exchange fluctuation reserve		23	–
Loss on disposal of subsidiaries	6	(572)	–
		1,215	–
Satisfied by:			
Cash		1,215	–

An analysis of the net ouflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2008 HK$'000	2007 HK$'000
Cash consideration	1,215	–
Cash and bank balances disposed of	(1,223)	–
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(8)	–

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**1,215**	1,200
In the second to fifth years, inclusive	**106**	800
	1,321	2,000

(b) As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 December 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,652**	6,624	**1,396**	2,694
In the second to fifth years, inclusive	**23**	3,347	**–**	1,396
	2,675	9,971	**1,396**	4,090

NOTES TO FINANCIAL STATEMENTS

31 December 2008

36. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

(a) Guarantees were given to certain banks by the Company for performance bonds/guarantees issued by the banks in relation to certain service contracts undertaken by the Group amounting to HK$30,190,000 (2007: HK$30,514,000) of which HK$4,077,000 (2007: HK$4,609,000) had been utilised.

(b) The Company issued corporate guarantees to certain suppliers of the Group in connection with certain purchases from those suppliers. As at 31 December 2008, the outstanding amounts due to those suppliers by the Group amounted to HK$360,000 (2007: HK$1,203,000).

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Compensation of key management personnel of the Group:

	2008 HK$'000	2007 HK$'000
Short term employee benefits	12,657	8,855
Equity-settled share-based payment expense	403	–
Post-employment benefits	151	97
Total compensation paid to key management personnel	13,211	8,952

Further details of directors' emoluments are included in note 7 to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008 — Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Held-to-maturity securities	–	498	–	–	498
Available-for-sale investments	–	–	–	1,911	1,911
Trade receivables	–	–	74,770	–	74,770
Financial assets included in prepayments, deposits and other receivables	–	–	5,785	–	5,785
Due from contract customers	–	–	13,437	–	13,437
Equity investments at fair value through profit or loss	9,947	–	–	–	9,947
Pledged bank deposits	–	–	14,328	–	14,328
Cash and cash equivalents	–	–	228,690	–	228,690
	9,947	498	337,010	1,911	349,366

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	42,227
Other payables	15,587
Financial liabilities included in accruals	12,225
Due to a minority shareholder of a subsidiary	1,355
	71,394

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38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2007 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Held-to-maturity securities	–	1,265	–	–	1,265
Available-for-sale investments	–	–	–	2,587	2,587
Trade receivables	–	–	82,887	–	82,887
Financial assets included in prepayments, deposits and other receivables	–	–	3,244	–	3,244
Due from contract customers	–	–	24,397	–	24,397
Equity investments at fair value through profit or loss	5,710	–	–	–	5,710
Pledged bank deposits	–	–	16,677	–	16,677
Cash and cash equivalents	–	–	190,348	–	190,348
	5,710	1,265	317,553	2,587	327,115

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	37,699
Other payables	13,862
Financial liabilities included in accruals	12,729
Due to a minority shareholder of a subsidiary	2,150
	66,440

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company

Financial assets

	Loans and receivables	
	2008	2007
	HK$'000	HK$'000
Cash and cash equivalents	**479**	372

Financial liabilities

	Financial liabilities at amortised cost	
	2008	2007
	HK$'000	HK$'000
Other payables	**–**	207
Accruals	**420**	20
	420	227

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include pledged bank deposits and cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, deposits, amounts due from contract customers, trade and other payables, financial liabilities included in accruals, amount due to a minority shareholder of a subsidiary, equity investments at fair value through profit or loss and available-for-sale investments, which mainly arise directly from its operations and/or to finance the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash at banks and time deposits with a floating interest rate.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate bank balances and time deposits).

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000
2008		
Hong Kong dollar	**(25)**	**(248)**
United States dollar	**(25)**	**(89)**
Renminbi	**(25)**	**(165)**
Hong Kong dollar	**25**	**248**
United States dollar	**25**	**89**
Renminbi	**25**	**165**
2007		
Hong Kong dollar	(25)	(257)
United States dollar	(25)	(108)
Renminbi	(25)	(105)
Hong Kong dollar	25	257
United States dollar	25	108
Renminbi	25	105

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from revenue generated or costs and expenses incurred by operating units in currencies other than the units' functional currency. Approximately 3.4% (2007: 11.8%) of the Group's revenue is denominated in currencies other than the functional currency of the operating units generating the revenue, whilst almost 61.5% (2007: 47.2%) of costs and expenses are denominated in the units' functional currency. The Group takes rolling forecast on the foreign currency revenue and costs and expenses and matches the currency and the amount incurred, so as to alleviate the impact on business due to exchange rate fluctuations.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the United States dollar and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000
2008		
If Hong Kong dollar weakens against United States dollar	**5**	**2,728**
If Hong Kong dollar weakens against Renminbi	**5**	**5,111**
If Hong Kong dollar strengthens against United States dollar	**(5)**	**(2,728)**
If Hong Kong dollar strengthens against Renminbi	**(5)**	**(5,111)**
2007		
If Hong Kong dollar weakens against United States dollar	5	1,437
If Hong Kong dollar weakens against Renminbi	5	5,491
If Hong Kong dollar strengthens against United States dollar	(5)	(1,437)
If Hong Kong dollar strengthens against Renminbi	(5)	(5,491)

Credit risk

The Group primarily trades on credit terms with recognised and creditworthy third parties. It is the Group's policy that most customers who wish to trade on credit terms are to a certain extent subject to certain credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise pledged bank deposits, cash and cash equivalents, held-to-maturity securities, available-for-sale investments and deposits and other receivables, mainly arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group primarily trades on credit terms with recognised and creditworthy third parties, there is no requirement for collateral.

Concentrations of credit risk are managed by customer/counterparty. At the balance sheet date, the Group has certain concentration of credit risk as 18.6% (2007: 15.2%) of the total trade receivables and amounts due from contract customers of the Group were due from certain departments/units of the Government of the HKSAR. Save as the above, there were no significant concentrations of credit risk at the balance sheet date.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and amounts due from contract customers are disclosed in notes 22 and 24 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 25) and available-for-sale investments (note 20) as at 31 December 2008. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the balance sheet date.

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of equity investments HK$'000	Increase/ decrease in profit before tax HK$'000	Increase/ decrease in equity* HK$'000
2008			
Investments listed in Hong Kong:			
– Held-for-trading	**9,947**	**995**	**–**
Unlisted equity investments at fair value			
– Available-for-sale	**411**	**–**	**41**
2007			
Investments listed in Hong Kong:			
– Held-for-trading	5,710	571	–
Unlisted equity investments at fair value			
– Available-for-sale	537	–	54

* Excluding retained profits

Debenture price risk

The Group has a club debenture investment in Hong Kong. The fair value of the club debenture investment is affected by market forces and other factors. The Group holds it for non-trading purpose.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group regularly reviews and manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 2007.

Capital of the Group comprises all component of shareholders' equity.

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

At the balance sheet date, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated to their fair values.

41. COMPARATIVE AMOUNTS

As further detailed in note 11 to the financial statements, the results of the Group's distribution business have been presented as a discontinued operation. Accordingly, the comparative income statement and related disclosures have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11).

In addition, certain comparative amounts have been reclassified to conform to the current year's presentation. The directors consider that such reclassifications will allow a more appropriate presentation of the Group's state of affairs and better reflect the nature of the transactions/balances.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2009.

PARTICULAR OF PROPERTIES

31 December 2008

Investment Properties

Location		Use	Tenure	Attributable interest of the Group
1.	Units 1, 2 and 3 on 11th Floor Westlands Centre No. 20 Westlands Road Quarry Bay Hong Kong	Industrial	Long term lease	100%
2.	Unit No. A1 on Level 21 Golden Eagle International Plaza No. 89 Hanzhong Road Jianye District Nanjing Jiangsu Province PRC	Commercial	Long term lease	100%
3.	Unit No. 2601 on Level 26 South Tower Guangzhou World Trade Centre Complex Nos. 371-375 Huanshi East Road Dongshan District Guangzhou Guangdong Province PRC	Commercial	Medium term lease	100%
4.	Factory Unit C on 9th Floor Yally Industrial Building No. 6 Yip Fat Street Aberdeen Hong Kong	Industrial	Medium term lease	100%
5.	Unit No. 709B on Level 7 Tower A (also known as Tower 1) Vantone New World Plaza No. 2 Fuchengmenwai Street Xicheng District Beijing PRC	Commercial	Medium term lease	100%

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified/restated as appropriate, is set out below. The amounts for each year in the five year financial summary have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the earliest period presented. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
CONTINUING OPERATIONS					
REVENUE	**376,386**	328,472	207,365	185,194	222,797
Cost of sales	**(261,894)**	(228,474)	(131,820)	(115,413)	(169,374)
Gross profit	**114,492**	99,998	75,545	69,781	53,423
Other income and gains	**14,689**	12,383	13,864	6,840	6,109
Selling and distribution costs	**(34,069)**	(35,414)	(31,626)	(27,087)	(32,876)
General and administrative expenses	**(45,382)**	(43,872)	(37,390)	(37,859)	(37,282)
Other expenses, net	**(9,901)**	(3,496)	(4,991)	(2,485)	(3,671)
Finance costs	**–**	–	–	(14)	(875)
PROFIT/(LOSS) BEFORE TAX	**39,829**	29,599	15,402	9,176	(15,172)
Tax	**(5,172)**	(814)	(1,842)	(51)	1,596
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**34,657**	28,785	13,560	9,125	(13,576)
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**(2,118)**	(814)	(1,713)	(1,652)	95
PROFIT/(LOSS) FOR THE YEAR	**32,539**	27,971	11,847	7,473	(13,481)
Attributable to:					
Equity holders of the parent	**33,067**	28,142	12,408	8,011	(13,520)
Minority interests	**(528)**	(171)	(561)	(538)	39
	32,539	27,971	11,847	7,473	(13,481)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
TOTAL ASSETS	**427,505**	414,176	372,916	378,851	393,071
TOTAL LIABILITIES	**(91,779)**	(84,881)	(63,302)	(71,687)	(88,948)
MINORITY INTERESTS	**753**	(879)	(1,057)	(1,070)	(1,609)
	336,479	328,416	308,557	306,094	302,514